

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

PARIS, WEDNESDAY, MARCH 1, 1978

Established 1887

Spanish Army Delays Trial After 2 Mimes Flee; 4 Jailed

By James M. Markham

BARCELONA, Feb. 28 (NYT).

Spaniards, in the biggest political trial since the

legislation of the Communist

party a year ago, Spanish

authorities today

announced the trial of

an alleged Catalan mimes

group, after two of the members

secretly fled the country.

Inside the vast stone head-

quarters of the 20th Jan Regi-

ment here, a uniformed spokes-

man told a surprised crowd of

senior officers, defense lawyers

and prominent Catalan deputies

and senators that the council

assigned to preside had postponed

the trial, citing an article of the

Spanish code that covers absent

defendants.

"We are being run over," a

defense lawyer, Jose Maria Lopez-

pro, protested loudly, arguing

that four of the six defendants

in the case had arrived in time

for the 9 a.m. proceeding.

"By a truck you should all be

run over!" retorted a straight-

faced lieutenant colonel. An-

other officer, seated nearby, said

that the waiting lawyer should

learn better manners.

This encounter was sympto-

matic of the latest civilian-military

confrontation in the decision

of Gen. Francisco Coloma

Gallegos, the independent-minded

captain-general of Catalonia,

to prosecute the Els Joguets mime

company for "insulting the armed

forces" in a skit that parodied

Franco-era military justice.

Flight to Freedom

Yesterday afternoon, Albert

Bonedella, director of the com-

pany, slipped out of police cus-

tody in a municipal hospital here

to avoid today's trial. One of his

actors, Ferran Rene, who had

been on provisional liberty, also

disappeared, and this evening

both men were reported by sym-

patizers to be out of Spain,

presumably in France. Mr. Bon-

della squeezed out of a small bath-

room window, and Barcelona

newspapers today carried de-

tailed maps of his presumed escape

route as well as accounts of the

director's athletic prowess—

"classical, muscular control, body

rhythm, etc." in the words of La

Vanguardia's drama critic.

By freeing the case, Gen. Co-

loma successfully avoided a po-

tentially embarrassing trial,

which has been gingerly criti-

cized by Spanish politicians wary

of offending the once all-powerful

military establishment—and more

forcefully by artists and intelle-

ctuals. It also permitted the in-

definite jailing of the four de-

fendants' three men and a woman,

who did not flee. All four were

locked up today in Barcelona

over their lawyers' protests.

One of the four, Gabriel Ramon,

was arrested yesterday just as

he was about to appear as Hippo-

lytus in a production of

"Phaedre" in the Catalan town

of Girona. Orders for the arrest

of the others were also issued

after Mr. Bonedella's flight, but

they were not apprehended until

they showed up this morning.

Playing the part of Phaedre

would have been Spain's leading

actor, Maria Taper, who today

appeared outside the military

headquarters with about 100 other

artists and young people, who

wore paper badges calling in

Catalan for "freedom of expres-

sion" and, in a few cases, sport-

ed white masks similar to those

worn by Els Joguets in their per-

formances. Also present was a

representative of Amnesty Inter-

national.

A few of the protesters raised

a hand-painted banner inscribed

with the words "Libertat d'ex-

pression"—Catalan for freedom of

expression—which was removed

by soldiers. When a second

banner was draped in some pine

tree, riot police were called in

and, wielding crowd-control

weapons, swiftly dispersed the

demonstrators.

Penal Code Remains

It was not clear whether the

decision to postpone the trial

reflected a judgment by Gen.

Coloma, a longtime army minister

under Franco who is about to go

onto the reserve list, or pressure

from higher authorities. Within

his domain of northeast Cata-

lunia, the 65-year-old general is

free to make his own decisions.

His move against the mime

troupe is an embarrassment to

Spain's young democracy but, as

he noted himself in a recent in-

terview, the penal code has not

yet been modified to remove the

military from civilian justice.

But, until the general is re-

tried or the trial is held, the four

actors will probably stay in

prison—at a time when virtually

all of Spain's political prisoners

have been freed.

The Els Joguets play that of-

fended the general was a "chor-

age" to Helios Chus, a mentally

unbalanced, stateless Pole who in

1974 was executed by the gar-

rote—an iron collar that kills

when it is tightened around the

victim's neck by a screw mechan-

ism—after having been convicted

of murdering a policeman. The

play, entitled "La Tormenta,"

had been approved by the Minis-

try of Culture although it portrayed

officers at Chus's military trial

as drunken and incompetent.

Gen. Coloma was army minister

at the time of Chus's execution.



"Dangerous social element" Roberto Mander at home on the striking island of Linosa.

Use of Italian Isle for Exile Is Protested

ISLE OF LINOSA, Italy, Feb.

28 (Reuters).—Shops, the local

school and offices on this Medi-

terranean island were shut to-

day as its 400 inhabitants went

on a one-day strike to protest

the government's exiling here

of a leftist student.

The islanders also prevented

passengers from getting off the

ferry from Sicily.

We want Rome to under-

stand that they cannot use this

island as a dumping place for

political prisoners, Mayor Sal-

vatore La Russa said.

Roberto Mander, 26, a Rome

student suspected of being a

leading anarchist, arrived here

11 days ago.

He was condemned to a

year's exile under a law which

allows authorities to banish

"persons dangerous to public

order" to remote parts of the

country without trial.

Other Exiles

He joined two suspected Ma-

fia leaders who also were

recently exiled to the island.

The islanders say that they

are not equipped to cope with

exiled prisoners like Mr. Man-

der. "We can neither offer him

work nor a place to live," the

mayor said. Almost 10 per cent

of the island's population is

unemployed. There also are no

hotels or restaurants.

The islanders want to open

their island to tourism. "But

who would come if this place

is to be turned into a political

internment camp?" the mayor

asked.

Mr. Mander, who has been

given a policeman's room in the

municipal hall, said, "It is a

hard life. I am living off eggs

and tomatoes because nobody

wants to cook for me. I do

understand the people very

well, but I cannot help them.

Injustice is everywhere."

"I accepted banishment not

in order to avoid being arrested

but to demonstrate what a ridi-

culous law this is," he added.

Publisher Denies Revisions

Nixon Book's Frost Is No TV Star

By Herbert Mitgang

NEW YORK, Feb. 28 (NYT).

David Frost is a 41-year-old,

bearded, bespectacled chief copy

editor at the New York publish-

ing house of Grosset and Dun-

lap. He is highly regarded by

his colleagues for his accuracy

and modesty. His job is to work

on other people's books, anony-

mously. His name is hardly known

to the writers of the books whose

grammar, style and inconsistencies

and facts he checks and corrects.

David Frost's name never gets

into the gossip columns, is never

tapped out over the national wire

services, is never heard over the

showrooms. He is a bachelor who

lives in Brooklyn, is a lively chap

around the office and will go any-

where to see and hear opera per-

formed.

Yesterday, his name made

headlines in a New York news-

paper. David Frost had finally

achieved his moment of glory in

the sunken of journalism.

The real David Frost of Brook-

lyn was mixed up with someone

bearing the same name who is a

transatlantic jet-setter, interro-

gator and television business col-

league of Richard Nixon, the

former president. It practically



David Frost, not from Brooklyn.

killed the Brooklyn Frost's work-

ing day because everybody was

calling to tell him what he had

long known: that his name was

David Frost, too.

Front-Page Report

The problem was caused by a

report on the front page of the

New York newspaper The Trib-

une yesterday. The tabloid's pub-

lisher, Leonard Saffir, and its com-

munications editor, Lemmy John-

ston, wrote that the television pro-

ducer, David Frost, had been en-

listed as part of a new team in

San Clemente, Calif., to rewrite

Mr. Nixon's book.

But, according to Grosset and

Dunlap executives, no revisions

are being made in the former

president's memoirs as a result of

the publication of H.R. Hal-

deman's "The Role of Power" or of

British David Frost's book about

his television broadcasts with Mr.

Nixon, "I Gave Them a Sword."

"I spoke to Mr. Nixon two weeks

ago and I'm in daily touch with

our editors in San Clemente and

there is no movement to do any

revising," Robert Markel, editor

in chief of Grosset and Dunlap,

said. "Even though there were

reports before his book came out

that Haldeman had named a

'Deep Throat' and blamed Nixon

for the tape capture, Mr. Nixon

said he saw no reason to make

changes in his own book."

Halldeman Book Unread

Jack Brennan, Mr. Nixon's

spokesman, said, according to

UPI: "We haven't read Bob Hal-

deman's book and have not

changed one word in President

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Sought for Sahara Use U.S. Said to Bar Morocco Planes

By Bernard Gwertzman

WASHINGTON, Feb. 28 (NYT).

The Carter administration has

bowled to some strong congres-

sional opposition and deferred

indefinitely a plan to sell aircraft

Last Major U.S.-Hungarian Dispute

U.S. Begins Talks in Budapest Over Special Trade Status

BUDAPEST, Feb. 28 (Reuters).—The United States has begun talks with Hungary on a comprehensive trade package of a kind still denied to Moscow.

Experts from the U.S. Department of State and Commerce have been meeting here with officials from the Hungarian Foreign Ministry to assess the chances of giving Budapest most-favored-nation status.

The talks are within the framework of a new Washington policy of dealing with Communist nations separately rather than as a united bloc.

The United States has granted most-favored-nation status—which gives foreign countries easier access to U.S. markets—to only three Communist states: Poland, Romania and Yugoslavia.

Granting the same trading advantage to Hungary would end the only serious dispute remain-

ing between Budapest and Washington, now that the United States has returned the crown of St. Stephen to Hungary.

However, the negotiations are complicated by a 1974 U.S. trade act amended by Congress to bar special trade status and financial credits to countries that restrict emigration.

Apart from Romania, Soviet-bloc states followed Moscow's lead in refusing to guarantee unrestricted emigration in exchange for lower customs duties and more relaxed quotas as offered by the most-favored-nation privilege.

Poland, a member of the Soviet alliance, and Communist but non-aligned Yugoslavia received the status before the trade act became law. The Romanians issued a vague pledge that was taken to mean that Bucharest would not restrict emigration.

In fact, Hungary's emigration policy has proved to be among the most liberal in Eastern Europe. But Budapest, which unlike Bucharest closely follows Moscow in foreign affairs, has refused to make the required pledges.

The Hungarians argue that such a declaration would violate their own laws on emigration.

U.S. diplomats say that the first round of the talks here are being devoted largely to the problem of accommodating Hungary within the restriction of the trade bill. "We are talking to see where we stand," a diplomat said. "Agreement on a formula giving Hungary most-favored-nation status on terms acceptable to both sides will be a matter of months, not weeks."

No Enthusiasm

Neither side is showing much enthusiasm in the discussions so far, according to participants.

While acknowledging that the deal would stimulate trade—which rose 4.4 per cent last year to top \$182 million in total turnover—the negotiators realize that sales can be expanded without a new agreement.

So why bother with the talks? For the Hungarians, it would mean a trade advantage over the Russians. The Americans could use it to mark their support for the more liberal policies of Hungarian leader Janos Kadar.

But Hungarians are not entirely pleased at this prospect. They point out that their first allegiance is to Moscow and that a "friendly pact on the head from Washington," in the words of a Hungarian Foreign Ministry official, "does not make our life easier."

"Sure we want (the special status) but not at any price," he added. "There is still a growing demand for our goods in the United States, even if they are expensive because of high American tariffs."

The U.S. government also has reservations about pressing ahead with the negotiations. "Congress is just not ready yet to act on (this)," said a U.S. official, noting that the Senate would have to approve a trade treaty with Hungary.

He recalled that several members of Congress went to court to prevent President Carter from returning St. Stephen's crown and its accompanying regalia.

The crown was given to U.S. forces during the closing months of World War II and had been stored at Fort Knox.

Secretary of State Cyrus Vance formally restored the crown—venerated here as the symbol of Hungary's nationhood—in a ceremony on Jan. 8.



AFRICA MOVES—Apartheid seems to be fading into a sea of different-colored faces on a bus in Cape Town. After years of total segregation, integration of blacks, coloreds and whites on practically all bus lines in the city is a generally accepted reality. However, a few all-white buses still operate on some routes.

Special Rifle, Laser Sight Stolen in U.K.

LONDON, Feb. 28 (Reuters).—A special rifle, equipped with a laser-beam sight, developed for anti-terrorist use, has been stolen from an exhibition at the London Science Museum, Scotland Yard said today.

The police said that the gun could not be made to fire, but the laser sight could be fitted to another rifle, making it extraordinarily accurate.

The sight was worth about \$1,200 (about \$2,300). A spokesman for the company which makes the sight, Scientifics and Cook of London, said: "It's frightening to think what someone capable of stealing the sight from the exhibition has in mind for its use."

Somali Group Plotting Coup, Ex-Aide Says

NAIROBI, Feb. 28 (UPI).—A former Somali ambassador who defected to Kenya last month said today that a group of Somalis in Rome is plotting the overthrow of Somali President Mohamed Siad Barre.

Hussein Haji Ali Douale said here that he was abruptly removed as envoy to Kenya in September by Mr. Siad Barre and was sent to the front in Ethiopia's disputed Ogaden region to be "eliminated."

Mr. Douale said that he suspected that high-ranking officials in Mogadishu, including Mr. Siad Barre, believed that he had sympathies with the Rome group, which, he said, is known as the Somali Democratic Action Front.

He insisted that he had remained loyal to Mr. Siad Barre until his recall. He said, however, that he would now join the Somali exiles working against the government if his support is solicited.

"I wish them the best of luck," he said.

Defected Last Month

Mr. Douale left his military post in Ethiopia's southern Bale region last month and defected to Kenya on Jan. 25.

A Kenyan police official said that Mr. Douale's request for asylum was being considered and a decision is expected soon.

"I am glad I left Somalia," Mr. Douale said in power, which I hope will not be very long," Mr. Douale said.

Mr. Douale said that he was summoned to Mogadishu for consultations in September, and in a meeting with Mr. Siad Barre, he was told that he had been drafted into the army.

"Specific instructions were given to the commander at the front to see that I would not come back alive. This is a polite way of eliminating me," he said.

E. European Aid Cited

PEKING, Feb. 28 (Reuters).—A Somali government minister said today that military personnel from four East European nations have joined Soviet and Cuban forces fighting for Ethiopia in the Horn of Africa.

Information Minister Abdulkasim Salad Hassan said here that a Soviet-led victory over Somali forces would threaten vital supplies to Western Europe.

He said that Ethiopians were seeking only as guides and interpreters for the Russians and Cubans in the disputed Ogaden Desert.

East Germans were in charge of communications and intelligence while personnel from Bulgaria, Hungary and Czechoslovakia had other unspecified roles in the fighting, he said.

Egyptian Was an Enemy

Witness Tells Cyprus Court Palestinians Cited Murder Aim

NICOSIA, Feb. 28.—One of two Arab gunmen charged with murder admitted killing Youssef Sehal, a prominent Egyptian newspaper editor, "because he was a friend of Israel," a witness told a Nicosia court of inquiry today.

"We are Palestinians. We came specially for that man, to kill him, because he was a friend of Israel and wrote some articles in his newspaper against the Palestinians," Georgios Georgiou, a Greek-Cypriot policeman, quoted Samir Mohammed Qatari as saying.

Mr. Georgiou told the court that Qatari said the stage for a clash at Larnaca airport the next day, during which 15 Egyptian commandos were killed. They were shot by Greek Cypriot troops while trying to storm a Cyprus Airways plane.

The Larnaca incident enraged Egyptian President Anwar Sadat. He strongly criticized Cypriot President Spyros Kyprianou and severed diplomatic relations with Cyprus.

Qatari, 28, arrived on Cyprus on a Jordanian passport on Feb. 13. The other accused, Zayed Hussein Ahmed Alali, 26, arrived the following day, traveling on a Kuwaiti passport.

The two men surrendered immediately after the Larnaca airport clash.

President Kyprianou indicated today that he hoped that Egypt and Cyprus could restore their previously close relations.

Mr. Kyprianou was addressing the House of Representatives after being formally sworn in for a five-year term. In presidential elections last month, he was unopposed as the successor to the late President Makarios.

Most of Mr. Kyprianou's speech was devoted to a restatement of his government's policy toward the Cyprus problem.

He said that the Turkish Cypriots whose self-proclaimed Turkish federated state occupies more than a third of the island.

UN Inclusion Urged

In Disarmament Talks

GENEVA, Feb. 28 (Reuters).—The Yugoslav president of the United Nations General Assembly, Lazar Mator, today criticized the United States and the Soviet Union for holding disarmament talks without consulting the UN.

Mr. Mator said that negotiations such as the Strategic Arms Limitation Talks could be more successful if the UN were involved. He suggested that if the United States and the Soviet Union reach a new SALT accord, they should report to the General Assembly for endorsement.

Anti-Palestinian Sentiment on

Upsurge in Egypt After Clash

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Larnaca, public outrage was directed more at the two Palestinian terrorists who killed Mr. Sehal than at the Cypriot National Guard.

The upsurge in anti-Palestinian feeling has enraged pro-Jordanians living in Egypt. A Cairo taxi driver named Farag talked last week about local Palestinian shopkeepers who "make fortunes and get richer, their brothers kill Egyptians in Cyprus."

A 23-year-old man in a beauty parlor contended that Palestinians were being admitted to Egyptian universities with poorer grades than Egyptian students. He said that Egyptian students in complaint about Palestinian taxi drivers in their neighborhood who supposedly tried to raise their fares by 40 per cent but all the Egyptians refused to pay them.

Darya Osman, a young housewife, reported that a friend had married a Palestinian only to discover a year later that he already had a wife and five children. "That's the kind of Palestinians I got to know, and for that and for their behavior against Egypt, I hate them all," she said.

The strains between Cairo and the PLO have already become evident. On Friday PLO leader Yasser Arafat attacked Mr. Sadat directly for the first time since the Egyptian leader's trip to Jordan, charging him with inciting hatred against the Palestinians in

Begin Talk With Carter Seen Major Factor

Egypt Aides Not Optimistic on Atherton Effort

CAIRO, Feb. 28 (NYT).—Egyptian officials have generally concluded that there is virtually no chance of agreement on a crucial declaration of peace principles with Israel before Prime Minister Menachem Begin's visit to Washington in two weeks to confer with President Carter.

Such a declaration, which would open the way to a resumption of political talks between the two countries, is the primary goal of the current shuttle mission of Alfred Atherton Jr., the Carter administration's special Middle East envoy. Mr. Atherton returned here from Jerusalem today with what was said to be Israeli counterproposals.

After meeting for an hour and a half this afternoon with Mohammed Ibrahim Kamel, the Egyptian foreign minister, Mr. Atherton confirmed that the future of the Palestinians was still the principle obstacle between the two sides. "In terms of the negotiations, the Palestinian question still remains the most difficult part of the draft declaration. And it is one we are continuing to give particular attention to," Mr. Atherton said.

No Points

Israel and Egypt have indicated that they see no point in returning to the political talks in Jerusalem, which were broken off six weeks ago, until there is agreement on a declaration of principles that would govern future peace negotiations. The declaration is considered a minimum condition for Jordan's participation as well. Cairo sources said that Mr. Atherton was also working on agenda guidelines that could bring the Jordanians to the talks.

Mr. Atherton said today that the process is continuing with serious intent. "We are continuing our work. There is still work to be done. It is going forward and we intend to keep it going forward." But he offered no indication of progress in the delicate shuttle.

Egyptian officials have said that they respect Mr. Atherton for having undertaken the difficult task of trying to reconcile the two sides so peace talks can resume. But they privately questioned whether he can bring the kind of pressure to bear on the Israelis that Cairo contends is necessary.

The feeling in Egyptian circles is that this is something that only President Carter can do. An Egyptian diplomat said that he would like to see Mr. Atherton close the gap on a declaration

S. Africa Reports Biggest Exodus of Whites Since '60

JOHANNESBURG, Feb. 28 (UPI).—South Africa last year suffered the biggest white exodus since 1966—when bloody anti-government demonstrations in black townships and political developments in general sent thousands of whites out of the country—according to official figures released today.

The net loss of 1,178 white emigrants last year was kept relatively low by the influx of whites fleeing political and economic uncertainty and the guerrilla war in neighboring Rhodesia.

Figures released by the Department of Statistics showed that 26,000 whites left South Africa last year and 24,822 came to settle. Among the new settlers were 6,077 Rhodesians.

In 1976, South Africa had a net gain of 40,489 white immigrants and in 1975 there was a net gain of 30,588.

Last year's net loss was the second negative figure since 1948. In 1950, 8,905 whites came to settle but 12,705 left the country—a net loss of 3,800.

of principles, but "I'm not hopeful he can achieve it. If Begin is making any compromise, he is not going to make it to Atherton. He will wait and do it with Carter."

Further Complicated

Mr. Atherton's mission has been further complicated by the re-announcements that Israel and Egypt have traded over the breakdown of political talks in Jerusalem in mid-January. The continuing stalemate has noticeably affected the possibility of future negotiations.

Mr. Kamel today lashed out again at the decision made by the Israeli Cabinet earlier this week to continue maintaining Jewish settlements on occupied

Arab land. The move has been sensitive for Cairo because some of the settlements are in the northernmost part of the Sinai, which Egypt wants returned.

Mr. Atherton said that the development had come in his talks with Mr. Kamel.

"The decision of the Israeli government is really a very dangerous thing," Mr. Kamel said. "The United States and all other countries have stated very clearly that establishing the settlements is an obstruction to peace. But even though we are now actually negotiating peace, the Israeli Cabinet has chosen this moment to confirm that they are obstructing peace by continuing with their settlements policy."

Korean Leader Backed Park, Ex-Legislator's Notes Show

(Continued from Page 1)

obtained, Mr. Hanna implied that he was partly responsible for Tongun Park's role.

"As you recall," Mr. Hanna wrote, "I once early suggested to you that Korea should have some unofficial base of representation with an understood and appreciated backing traceable to official source."

"I now congratulate you along with many others on your choice of representative and, at the same time, commend your encouragement and support which helped to produce an effective voice in Washington for the Republic of Korea."

Charles McNeill, Mr. Hanna's attorney, acknowledged that the 1972 notes were in Mr. Hanna's handwriting but said that there is no indication whether they were mailed. Some words had been crossed over, suggesting that the notes were early drafts of letters.

Mr. McNeill said that certain typewritten letters obtained by the Times had been mailed, including a long letter to President Park dated Aug. 27, 1974. Mr. Hanna arranged for federal investigators to obtain these documents without subpoenas, Mr. McNeill said.

March Trial Set

Mr. Hanna, who has pleaded not guilty to bribery and conspiracy charges, is scheduled to go on trial here March 20.

In the August, 1974, letter, Mr. Hanna said that he and Tongun Park had written other congressmen made at a House committee hearing on alleged South Korean violations in South Korea.

Mr. Hanna told the South Korean President that such efforts showed "the success of Mr. Tongun Park's activities on your behalf in Washington."

The Justice Department has charged that Mr. Hanna received at least \$109,000 from Tongun Park between 1969 and 1975.

Mr. Hanna has said that he had a close business and personal relationship with Mr. Park and that he received \$60,000 to \$70,000 from joint business ventures with the Korean. Mr. Hanna has denied that he received any bribes.

Mr. Hanna wrote that a congressman who agreed to submit a pro-Korean statement was Rep. Walter Flowers, D-Ala., now a member of the House Ethics Committee, that he was investigating the influence-buying case.

Rep. Flowers "was glad to assist as he realized vividly and gratefully the cooperation extended to him by Minister Shin [Jik Sool] of your Ministry of Justice, now the new director of the [Korean] Central Intelligence Agency," Mr. Hanna wrote.

"Several years ago, the congressman [Flowers] and I, in involving a congressman and the solution was made possible

by Director Shin, then minister of justice. This helped the campaign efforts of Mr. Flowers at that time," Mr. Hanna's letter said.

A spokesman for Rep. Flowers said that he did not know what problem Mr. Hanna was referring to. Rep. Flowers submitted a pro-Korean statement in 1974 because that was his view, the spokesman said.

Mr. Flowers obtained information for his statement from Hanna because Hanna was considered one of the more authoritative members on Korea," he added.

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U.S. May Cut Morocco Sale

(Continued from Page 1)

the sales. Others in the department felt that the United States should remain neutral in the Western Sahara dispute, which has involved Morocco and Mauritania against Algeria. The Algerians have made little secret of their outright support, materially and politically of the Polisario movement.

Last month, Mr. Vance, aware of differences in his department, gave a tentative go-ahead to the sale depending on the reaction of key members of Congress. Usually, once a decision to "consult" with Congress is made the administration has virtually decided to take that course of action.

But, according to department officials, the Moroccan plan run into sharp criticism from three important members of Congress: Sen. Dick Clark, D-Iowa, chairman of the Foreign Relations Subcommittee on Africa; Rep. Charles Diggs Jr., D-Mich., chairman of the International Relations Subcommittee on Africa, and Rep. Donald Rostenkowski, D-Ill., chairman of the International Relations Subcommittee on International Organizations.

Police, Strikers Clash in Lima

LIMA, Feb. 28 (Reuters).—About 100 persons were injured and 200 arrested in street fighting and rioting yesterday, the first day of a 48-hour Communist-led general strike.

Among those injured were tourists, including Swedes and Germans, whose bus was stoned by about a dozen strikers while on its way to Lima from the airport.

The Communist-led 700,000-member General Confederation of Peruvian Workers called the strike declared illegal by the military government to back demands for higher wages and the reinstatement of about 4,500 men dismissed after a similar walkout last July.

Crime which took place in Cyprus," he said. Mr. Marri added that Egypt expected the Palestinians to stand up "against irresponsible elements harming the Palestinian cause."

This was echoed yesterday by Premier Mamoudh Salem when he announced that the privileges granted Palestinians living in Egypt would be withdrawn. He said that the move did not mean that Egypt was backing away from its commitment to the Palestinian cause.

But more than a few Egyptians have already wearily of the cause. "These Palestinians that we helped have neither religion nor principles," said Mustafa Saleh, who owns a small store.

"Terrorism has been deeply rooted in their souls to the extent that they are not able to distinguish their enemy from their friend."

Accusation by PLO.—JERUSALEM, Feb. 28 (UPI).—The PLO today accused Egypt of embarking on a Nazi-type campaign against the Palestinian people.

"Egyptian Prime Minister Mamoudh Salem's abusive speech yesterday stripping thousands of Palestinians of rights and privileges... is only the beginning of a campaign which may well reach total Egyptian disassociation from the entire Palestinian cause," the Palestine news agency Wafa said in an editorial.

"It is the start of a Nazi-type campaign against the Palestinian people in which the Egyptian regime is using all sorts of fascist measures," the editorial said.

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Inflation Increase Feared

Weekend Voting Will Decide Coal-Strike Settlement in U.S.

By Helen Dewar and Art Pine

WASHINGTON, Feb. 28 (UPI).—Officials of both sides in the proposed coal-strike settlement returned here for briefings yesterday in preparation for a final round of selling by union officials before this weekend's vote by 100,000 strikers.

The two groups met separately, one after the other, using the same room in a hotel. As expected, there were few clues to the outcome of this weekend's vote. The companies are expected to accept the settlement; union officials remained cautious.

Kentucky Gov. Julian Carroll, who played a key role in the talks, said that ratification of the contract now was "in jeopardy." Gov. Carroll said he hoped union leaders would be able to sell the pact, but said right now it had a 50-50 chance.

Anti-Inflation Effort
The developments occurred as the White House negotiated settlement was criticized as being likely to undermine the administration's anti-inflation effort.

Although the miners' contract traditionally does not influence wage settlements in other industries, analysts both in and outside the administration expressed fears that President Carter's special attention to the miners may prompt

other union leaders to seek comparable treatment.

Specifically, officials voiced apprehension that it may affect demands by railroad and trucking industry workers, whose contracts are due for renegotiation this year. The White House last month proposed a new anti-inflation plan calling for moderation by workers and companies.

At the same time, officials conceded that the contract could boost steel and utility prices. The administration's own internal estimates show the 37-per-cent wage boost called for in the settlement could push steel prices up \$3.70 a ton.

The impact on utility prices is somewhat less certain. Although most economists agree the increase nationally would be small, analysts say utility costs could rise substantially in parts of the Midwest and West, where generating plants are almost entirely powered by coal.

'Special Factor'
Jody Powell, the President's press secretary, said the miners' settlement stemmed from "special factors," and said the administration "does not view it as a model for other industrial settlements." He expressed hope the miners would ratify the pact.

The briefing sessions yesterday did little to allay apprehension over whether the miners will ratify the new contract. If the rank and file turns down the settlement in voting this weekend, some experts fear the strike could continue for several more weeks.

Immediately after the briefing for the coal-operation companies, John Brennan, president of the Bituminous Coal Operators Association, said he had answered questions from the group's 138 member firms, and "I don't have any blood on my blue suit."

About 200 district and regional officials of the United Mine Workers attended the miners' session later. UMW president Arnold Miller offered no new assessment, but chided critics of the settlement. "How can they criticize (it) before they've even seen it?" he asked.

Genschel Sees Nyerere

DAR ES SALAAM, Feb. 28 (UPI).—West German Foreign Minister Hans-Dietrich Genschel conferred for three hours yesterday with Tanzanian President Julius Nyerere on African conflicts, including the Somali-Ethiopian war in the Horn of Africa.



SURPRISE STOP—A Boston patrolman tries to calm his mount after it fell in a snow-covered hole in the Boston Public Gardens. The fire department came to the rescue of the 8-year-old stallion and police later said it was in "stable condition."

1,500 Persons Evacuated in Florida

Harmful Gases Slow Train Wreck Cleanup

By Jeff Prugh

YOUNGSTOWN, Fla., Feb. 28.—Following the chlorine and propane gas accidents here and in Tennessee, salvage crews and firefighters yesterday began sifting through the wreckage of a 102-car train that contains what an expert called "the dampest accumulation of hazardous fuels you ever saw."

It is painstaking, dangerous work. Authorities have evacuated 1,500 persons indefinitely from the area. In the Florida Panhandle, about 100 specialists, some from Louisiana, Illinois and Canada, have been called in to empty a 30,000-gallon tanker that spewed poisonous chlorine gas Sunday, killing 9 persons and injuring 88.

Even then, the job will be only half complete. A propane-filled tank car, like the one that exploded and killed 12 persons last weekend in Waverly, Tenn., has a minor leak and is entangled among four box cars.

On Sunday in Milan, Tenn., 50 miles from Waverly, three railroad tankers loaded with propane gas and caustic soda derailed. No injuries were reported in that accident, and residents were allowed to return to their homes after being briefly evacuated.

"It looks like a bowl of spaghetti," said Don Tullis, a Jacksonville Fire Department expert of the Youngstown wreckage.

The clean-up crews, including some workers who came from Waverly, plan to defuse the chlorine tanker by towing it 100 yards and pushing it into a 10-foot-deep pit of water and caustic soda, emptied from other wrecked tankers. Caustic soda neutralizes chlorine.

Near the chlorine tanker is a 14,000-gallon tanker filled with flammable turpentine, but that car is reportedly stable. Another derailed car contains ammonium nitrate, a chemical used in explosives.

The work stopped yesterday afternoon for lack of a special pump and pipeline to fill the pit into which the chlorine tanker is to be placed. It was to have been resumed this morning.

Doing It Right
"We're not going to be looking at our watches," Mr. Tullis said. "We're going to do this very carefully and make sure it's right."

It may not be until tomorrow, Mr. Tullis said, that the specialists will be able to deal with the propane tanker. They have not decided, he said, whether to empty the propane car before untying it from the other cars.

"The LP (liquid propane) gas is not the problem that the chlorine

car is," Mr. Tullis said. "The chlorine car is still dripping and vapors are getting loose."

Some of those vapors hampered workers yesterday. One was treated for skin burns; another because his "lungs were burning."

Investigators from the FBI and the National Transportation Safety Board said that they had not determined the cause of Sunday's derailment.

Survivors' Reports
Some survivors told of having seen motorists stagger to their deaths after the cloud of gas had driven them from their cars.

Donald Sellers, 27, and his wife, Judi, 24, of Tallahassee, Fla., fled their car when its engine stalled for lack of oxygen. They were nearly overcome but reached a pay telephone to call for help. They are in fair condition in a hospital.

Franklin Stewart, 27, a Bay County sheriff's deputy, said that he became nauseated when he was taking gas masks and oxygen equipment to other rescue workers.

"My oxygen ran out," Mr. Stewart said. "I gasped for air and waded through a swamp. I was blacking out over and over. I asked for my partner's oxygen, and that helped me get back to our car. Believe me, the Lord saved us."

© Los Angeles Times.

Widespread Hazard in U.S.

Dangers for Grain-Elevator Workers Cited

By William Robbins

NEW ORLEANS, Feb. 28 (NYT).—Employees in many of the nation's thousands of grain elevators face twin threats of sudden death from fiery explosions or lingering illnesses, according to workers in four states, industry experts and investigative officials.

And while grain elevators are considered hazardous under the best conditions, unnecessary dangers persist, the observers say, because many employers have been slow to install safety equipment or adhere to safety procedures.

Both hazards remain widespread even though some companies stepped up their safety efforts after two explosions took 54 lives on the Gulf Coast in December, said workers in Louisiana, Minnesota, Texas and Wisconsin, four states through which much of the country's grain is moved for export.

Grain inspectors, investigative officials and experts in and out of the industry generally agreed. "The 'bug' in many cases is a precursor of lung ailments such as emphysema,"

Breathing Difficult
"I ain't got much breath left," said James McDonough, 54, who has worked for 31 years in elevators around Superior, Wis. "I can't breathe very well, my lungs are shot."

"I won't ever go into an elevator again," said Alvin Marquer, describing a "ball of flame" that burst across the basement floor in an elevator in Galveston, Texas, in December.

That was one of the two Gulf Coast explosions that attracted national attention in the Christmas season. Eighteen persons were killed in Galveston and 36 in the explosion at Westwego, La.

An investigative report charged recently that the Farmers Export

Co., which operated the Galveston elevator, had willfully violated safety standards. A report on the Louisiana explosion is pending.

Mr. Marquer and most of the other workers interviewed said that some companies and supervisors had a cavalier attitude toward potentially explosive concentrations of grain dust and sources of ignition. They also described the respiratory complaints among grain employees—each cited former co-workers who had developed emphysema.

The core of the health and safety problems is the dust that emanates from the grain and rises in clouds whenever the grain is moved. At certain mixtures with air and under the right conditions of humidity, it is highly explosive, needing only a chance spark to set it off.

In the last 20 years, there have been more than 140 grain-dust explosions, many of which caused deaths. In the same period, there were thousands of explosions and fires that were described as minor.

There are no precise figures

on the size of the industry, but an expert, Prof. Richard Ginnold of the University of Wisconsin, has estimated that there are 225,000 grain workers in hundreds of port and rail-terminal elevators, thousands of feed mills and more than 10,000 smaller elevators. Robert Hubbard, a vice-president and safety specialist of Cargill, Inc., one of the country's largest grain companies, recently put the number of elevators at more than 14,000.

Four recent medical studies, Prof. Ginnold said, found above-normal prevalence of lung problems among grain workers. In one of these, University of Wisconsin medical researchers tested 306 grain employees from the twin-ports area of Duluth and Superior in 1974. They found that "there was a highly significant incidence of airways (respiratory system) disease—59 per cent."

The safety and health hazards are said to increase with the volume and activity in an elevator, with other variations according to the quality of safety equipment and procedures.

Elevators at ports, where grain from the interior is stored in silos and then moved into vessels by conveyor belts, bucket lifts and spouts, are considered the most hazardous, partly because of intense pressure to keep grain moving. Any shutdown to correct a safety problem or clean up hazardous dust can cost thousands of dollars.

Danes Campaign To Halt Smoking For 24 Hours

COPENHAGEN, Feb. 28 (Reuters).—Denmark was declared a smokeless nation yesterday—a 24-hour exercise estimated to have cost 15 million kroner (\$2.5 million) in lost taxes.

Pipe and cigar-smoking Tax Minister Jens Kampmann is a strong supporter of the campaign launched by the Danish Society for the Prevention of Cancer.

Millions of pamphlets on the dangers of smoking have been circulated and smokers have been urged to send to the society the cash they would have spent on tobacco.

The society is planning a weeklong campaign for next year.

UN Panel Holds Talks On Rights Violations

GENEVA, Feb. 28 (UPI).—The UN Human Rights Commission met today to discuss violations of human rights in at least five countries after three weeks of public debate on its three usual targets—Chile, Israel and South Africa.

U.S. delegate Edward Meevink said that he was hopeful that "for the first time a public statement will be made and action will be taken." Among the countries that will be discussed in a series of closed meetings are Bolivia, Equatorial Guinea, Ethiopia, Uganda and Uruguay, a Western delegate said.

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Change and Ironies in Integrated S. Carolina

By Jim Hoagland

ORANGEBURG, S. C., Feb. 28 (AP)—Ten years ago, Harry Floyd slammed the door of his segregated All Star Family Fun Center and Bowling Alley in the face of a young black student named John Stroman and sparked a series of demonstrations here that ended with the burning down of three black students by white state troopers.

This month, on the 10th anniversary of what came to be called the "Orangeburg massacre," Mr. Stroman stood in the same alley and sent his last ball spinning into the strike he needed for the highest score of his lifetime. A broad smile spread across his face as he called out "2: 279 total."

"O! Harry Floyd is all right."

Mr. Stroman said later. "He has changed his whole view, you know."

One of the results of that

change would not have been easily predictable for outsiders, but does not shock Southerners who know their long-lived racial history. Mr. Stroman, the nominal black victor in the struggle over integrating the alley, has reaped bitter fruits from his labor, while Mr. Floyd, the white "loser," is reaping profits.

There are broader ironies in this story about Orangeburg, which intends only to offer glimpses into the passage through the civil rights era by some of the key participants in the 1968 struggle here. It is a passage that has not been uniformly smooth, and which is still far from complete, but which nonetheless marks a remarkable change in a short time.

A new generation of black students has come to the campus of South Carolina State College, where the killings actually occurred. They continue to honor the fallen students as martyrs, but for many of them, change has been so drastic that the original cause of the protests seems distant and hard to understand.

"That just would not happen today," said Kathy Edwards, vice-president of the college's student government, who was 11 at the time of the shootings. "People of my generation would just ignore such a bowling alley. Too many things are open to blacks now to worry about the ignorance of one individual."

As the campus marked the anniversary with a memorial service, a group of black and white teenagers casually sat around the same table at a local Burger King and swapped colorful tales about the students in their fully integrated high school.

For an older generation of black educators, "Orangeburg" added greatly to the existing ambivalence in their positions, which required finely honed survival tactics in navigating between enraged black student bodies and suspicious white power establishments that held the purse strings. For them, the horror and the direct threat that the turmoil represented for their hard-won positions is still too fresh.

"I go to educational meetings and there will be always be some one there who says, 'South Carolina State—oh yes, that's where those students were shot.' It is tragic they do not know that South Carolina State is much more," said Maxine Nixson, acting president of the campus at the time of the killings and its president today. The school's student body is now 6 per cent white.

Integration has brought Mr. Nixson a budding business career as well as confirmation as head of the college. But integration has also cut down many of the black teachers and professionals in the state educational system, a result that not only saddens Mr. Nixson but also in his view presents a threat for the future of the South.

The man who started the confrontation, John Stroman, is now

35, a teacher at a junior high school in a small town 30 miles from Orangeburg, and deeply disillusioned. He describes himself as a burned-out case and suggests that many of those who provided the first sparks of rebellion in civil rights challenges wound up as much misfits in today's social environment as they were in the old, static one they attacked.

He has more praise today for his former nemesis, Harry Floyd, than for most leaders in the black establishment. "O! Harry will cash a check for me most times. That's more than a lot of them black folks who think I'm a troublemaker will do," he said. "Well, I was a troublemaker in my day, but they were the ones that benefited from it, and I got nothing to show."

Mr. Stroman is also bitter that the school immediately constructed a new administration building at the edge of the campus on the site of the killings.

"That ground is sacred," he said. "At Kent State, there has been a movement to keep them from chiseling their history with that gymnasium. Here, people in charge just wanted to get on with business. They would have named the new gymnasium here for a white politician who got funds for the school if we hadn't protested and embarrassed them into naming it for the three students whose blood was shed for all of us."

Earlier Protests
Mr. Stroman was no stranger to trouble when he came to "beat" Mr. Floyd's bowling alley in 1969, against the advice of older and more established civil rights workers who said the fun center was not worth the trouble. A year before, he had helped organize protests against the campus administration at South Carolina and had been suspended from school briefly.

"When I came back to campus and told people how the Floyd King and swapped colorful tales about the students in their fully integrated high school."

Two nights of protests triggered a decision by then-Gov. Robert McNair, who was hoping to be selected as Hubert Humphrey's running mate on the 1968 Democratic presidential ticket, to make a show of force. He ordered the National Guard and state troopers in to contain the demonstrations. Instead, tensions mounted.

Mr. Stroman asserts that a severe beating at the hands of a policeman on the second night of demonstrations is the cause of epileptic seizures he still has. The following night a group of state troopers opened fire on the stone-throwing demonstrators, killing the three youths.

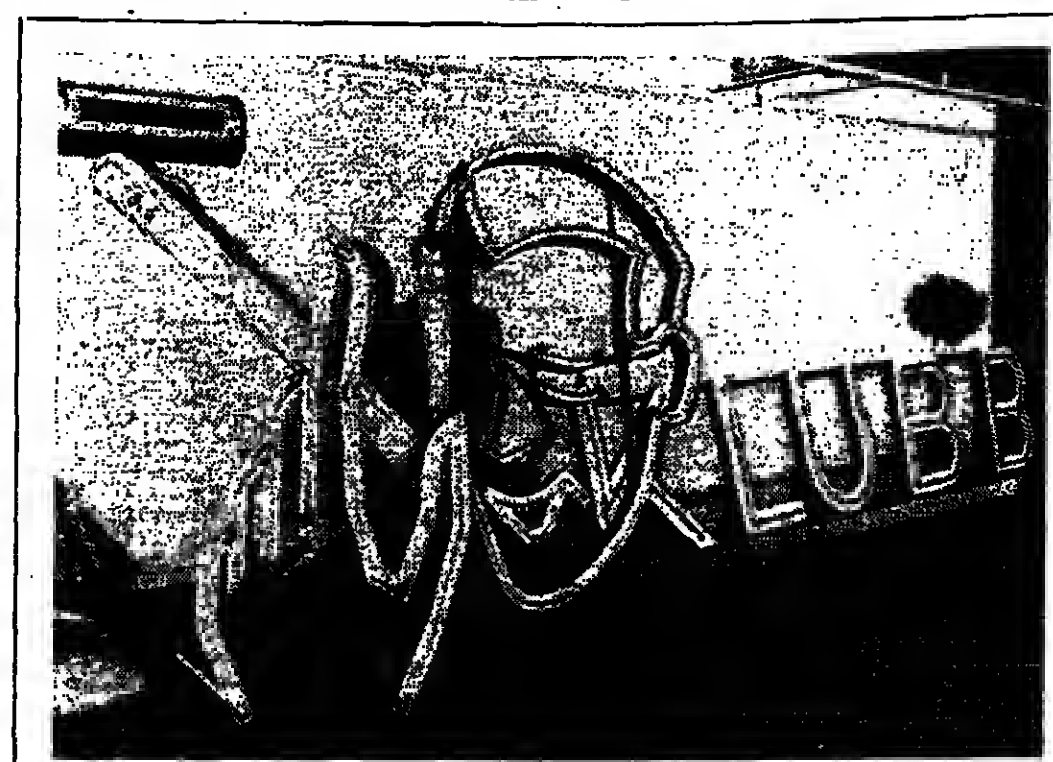
"I can't get a job in this town," Mr. Stroman said. "Everybody still says, oh, yeah, he's the boy who broke Floyd's window with a brick. I didn't do that, but that damn brick will follow me around the rest of my life here. The college won't give me any kind of work, so I have to drive 60 miles a day to teach in another town."

Good Business

Ten years ago, Harry Floyd told the NAACP that he could not integrate his alley and survive financially because white customers would stop coming. Now, Mr. Floyd and other former segregationists are finding that good race relations make good business. Increasingly, his alley is depending on its 30 per cent black clientele for profits.

"We've had a bit of trouble since that one time," the black tactician Floyd recalled. "Not one black has come along and made a smart remark or anything. No trouble from the whites, either."

Business "was off for about a year but that wasn't racial," he continued. "That was like what happens if there is a shoot-out up there at the Thunderbird Motel. You know, you just decide you don't need to go around there for a while. But things are fine now. Everybody knows this town always had good race relations. That one time was just stirred up by a few outsiders."



MUSEUM PIECE—With a law, effective today, banning tobacco advertising in Finland, this neon sign for Klubb cigarettes, once gracing a Helsinki street, has become obsolete and part of history. It is on its way to the Finnish National Museum.

But Analysts Are Skeptical

Method Claimed to Guard A-Fuel From Arms

By Robert Gillette

LOS ANGELES, Feb. 28.—Nuclear industry researchers from the United States and Britain reported yesterday that they have devised a "dramatically new" way of fabricating nuclear fuel from plutonium that they said would prevent terrorists and governments alike from diverting it to atomic weapons.

By leaving large amounts of radioactive waste products in plutonium-based fuels, the researchers said that governments would need at least months to extract the plutonium for use in weapons, during which time other nations could detect such a diversion.

Government and independent analysts contacted by the Los Angeles Times urged that the industry's claims about the process be treated cautiously, however.

The possibility that some nations might easily and quickly convert purified plutonium—stockpiled ostensibly for civilian use—in atomic weapons led President Carter last year to urge the world not to proceed with commercial development of plutonium technology until steps could be taken to safeguard nuclear fuels.

Worldwide adoption of the new fuel process—dubbed "diver" in reference to its civilian rather than military applications—would be a major departure in nuclear development strategies that many countries have pursued during the last 20 years.

Without Fear
But the process would have the benefit, its proponents contend, of enabling industrialized and developing nations alike to build plutonium breeder reactors without fear that the technology also would give many countries new access to atomic weapons.

Moreover, experience has shown that intensely radioactive nuclear fuel can be handled safely and conveniently by remotely controlled equipment, the researchers said.

"If we're right, and if we're listened to, this changes completely the arguments about where we go with nuclear power," Dr. Chalmers Starr, president of the Electric Power Research Institute, said in an interview. "It becomes entirely desirable to push the breeder."

The Electric Power Research Institute is the research arm of the U.S. utility industry. With headquarters in Palo Alto, Calif., it operates with an annual budget of \$185 million.

Dr. Starr and Dr. Walter Marshall, the deputy chairman of Britain's Atomic Energy Authority, described the diver process

publicly for the first time yesterday at an international energy technology meeting in Washington.

They said that the process would take about 10 years to develop fully.

Praise and Skepticism

Arms-control analysts tended familiar with the concept, both in the Carter administration and outside the government, reacted with a mixture of praise and skepticism—praise for what they said was evidence of new interest on industry's part in the problem of nuclear proliferation and skepticism that the diver process is as fall-safe as claimed.

"I'd be extremely cautious in drawing any conclusions at this point," said a chemical engineer with the Arms Control and Disarmament Agency, who pointed to several potential weaknesses in the process.

Similarly, Dr. Albert Wohlstetter, a strategic analyst with the University of Chicago, whose thinking has influenced the Carter administration's nuclear policy, said, "This is a very important step for the industry toward recognizing the realities of proliferation. They're trying [to find solutions], though I don't think this does it."

Proper Hesitance

Two government authorities on proliferation questions, contacted by the Times, were particularly skeptical of Dr. Starr and Dr. Marshall's claim that a diver fuel plant could not easily be modified to produce pure plutonium for weapons.

"I wouldn't make a dumb statement like it could be done in half an hour, but it probably could be done in a reasonably short time if the proper utility hookups were available," said an engineer who asked not to be identified.

Arms control analysts tended to be skeptical on two grounds.

First, that the diver process would convey to a large number of countries basic plutonium-handling technology they could use for an overt nuclear weapons program, if it seemed that the resulting international outcry were worth the trouble.

Second, several experts said it seemed possible that pure, weapons-grade plutonium could be drawn surreptitiously from a diver plant with small modifications.

A chemical engineer said that half a dozen devices called mixers, each the size of a small office desk, might be moved into a plant quickly or even built into the walls covertly. "With very little effort," he said, "I think you could pull out weapons-usable materials."

Although a press release about yesterday's news conference describes development of the diver process as a "joint British and United States initiative," Dr. Starr acknowledged that neither government has endorsed the idea.

Strike Called In Building In Nicaragua

Death Toll in Violence At 13, With 70 Injured

MANAGUA, Feb. 28 (AP)—Nicaragua's 2,000 construction workers today announced a one-day strike for tomorrow as tension and violence continued following a new refusal by President Anastasio Somoza to resign before his term ends.

Thirteen persons, including a National Guard sergeant, have been killed and more than 70 wounded in three days of gun battles between leftist guerrillas and guardsmen. Rioting and demonstrations have broken out in half a dozen cities.

A spokesman for the General Confederation of Labor said the construction strike was intended to protest brutality by the National Guard in putting down the disturbances.

He said the strike was scheduled for 24 hours but may continue for more time "depending on how developments occur." He also said a number of businesses and industries may join the strike.

Students Leave Campus

More than 500 trapped students were allowed to leave the University of Nicaragua campus last night after a confrontation with the National Guard, the nation's army.

Three students and a professor were killed and two persons injured at the campus.

Prof. Eric Landon said the guard allowed the students to leave. Earlier, the guard fired submachine guns and rifles at students who marched off the campus demanding Gen. Somoza's resignation.

Gen. Somoza said Sunday he will not relinquish power until his term expires in 1981. The President whose family has ruled since the U.S. Marines handed over power in the 1980s to his father, promised that a select committee would investigate the Jan. 10 slaying of political foe Pedro Joaquín Chamorro, a newspaper publisher. Mr. Chamorro's death set off rioting and a 17-day work stoppage.

Guardsmen cordoned off the cities of Masaya and Chinandega Sunday's violence.

Mrs. Carlota Pedraza, a resident in the Indian neighborhood of Minimbo in Masaya, slipped through a National Guard cordon and reported that there had been a gun battle yesterday.

Obituaries

Physicist A. I. Alikhanayan

MOSCOW, Feb. 28 (UPI)—The Soviet press today reported the death of Aram I. Alikhanayan, 69, a nuclear physicist. The daily Kommunist of Yerevan in Soviet Armenia said that Mr. Alikhanayan died Saturday after a long illness.

Mr. Alikhanayan studied at Leningrad University and in 1931 began work in nuclear physics

and cosmic rays with his brother, physicist Abraham Alikhanov.

In 1934, with his brother and M. S. Kozlovskiy, he discovered the emission of pairs of positrons and electrons by energized nuclei. In 1939, he began research which resulted in the discovery of varitrons.

In 1943-45, he and his brother set up a cosmic radiation station on Mount Aragats which resulted in the discovery of narrow showers in cosmic rays. Mr. Alikhanayan was twice awarded the Stalin Prize, in 1941 and 1948.

Allan R. McCann

SAN DIEGO, Feb. 28 (AP)—Retired Vice-Adm. Allan R. McCann, 81, who directed the rescue of 33 persons from the trapped submarine Squalus in 1939 and who was named commander of the Pacific submarine force in 1946, died last Wednesday.

Accidents Near Milan

MILAN, Feb. 28 (AP)—A driver was killed and at least 15 persons were injured yesterday when dozens of motor vehicles were involved in fog-caused collisions on the autostrada south of Milan.

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Balance sheet exposure will be treated from the parent and subsidiary points

of view—by treasurers from Kraft, Inc.; Rank Xerox Ltd.; British Petroleum Co.; Ciba-Geigy Ltd.; Singer; Sperry Rand; and Imperial Chemical Industries. Plus how to cope with FASBS from Arthur Andersen and Associates.

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Fees are payable in advance of the conference. Each participant: \$500; this includes all refreshments, cocktails, lunches and post-conference documentation. Hotel rooms are not included. Fees will be returned in full for any cancellation received 2 weeks before the conference.

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SEAL COLONY—Anybody looking for a lost seal might try Cape Cross, Namibia. There are lots of seals there, perhaps the largest colony (180,000-250,000) around.

In New Technical

Monkey Fetus Is Removed and Returned

By Victor Cohn

WASHINGTON, Feb. 28 (UPI).—Using a surgical technique that could one day help human babies, scientists are taking monkey fetuses from the womb, operating on them, then returning them to their mothers to be born at the normal time.

The federally financed research—which practitioners say could lead to dramatic repairs of human abnormalities before birth—is being done at two Washington-area laboratories and one at Harvard University.

The technique's success undercuts the belief that if a womb is cut open a pregnancy will usually end.

"That isn't true," Edward Taub, director of this work at the private, nonprofit Institute of Behavioral Research in Silver Spring, Md., said last week.

Brought to Normal Term

"We've removed some fetuses two-fifths of the way through gestation, kept them on the operating table for nearly two hours for our studies, then brought them to normal term," he explained.

"I think the old assumption was that, if you opened the uterus, the fetus would almost automatically be absorbed. But people simply hadn't tried."

What is more, he said, "We've kept animals alive three years after birth. This is like nine years in a human being. These animals remained entirely normal except for the deficits [injuries] we induce in our operations to learn about fetal development."

"There was no indication these animals would not have led a perfectly normal life span."

Now, he added, "I think we're on the verge of a new era of what might be called 'fetal neuro-psychology,' or the study of the way the fetal nerve system and brain develop and produce behavior."

Other researchers have studied other fetal developments in ways that would have been impossible by other methods. So the field may become not just the study of the brain and nerves but one covering all areas of fetal growth—and, in time, ways to correct abnormal growth to make a normal infant.

Two Decades of Effort

Getting to this point has taken nearly two decades of effort. The first work was done in the early 1960s by two professors of obstetrics, Dr. Albert Plail of Columbia University and Dr. D.I. Hutchinson of the University of Pittsburgh. Both brought some monkey infants to normal birth

after removing them from the womb, then returning them.

But the largest sustained effort with a high degree of success—both in keeping the fetuses alive and advancing knowledge—was made by Dr. Ronald Myers of the National Institute of Neurological and Communicative Disorders and Stroke, part of the National Institutes of Health in Bethesda, Md.

Starting in 1964 at an NIH laboratory in Puerto Rico, Dr. Myers and his colleagues did fetal surgery on "rhesus" monkeys, with what he described last week as "a success rate varying from 40 to 70 to 80 per cent." That is, that many of the fetuses were brought to normal birth with the number varying according to the rigors of the experiments.

Dr. Myers' goal was not just survival but knowledge. For example, he examined the electrical cords of fetal monkeys halfway through gestation. According to a report in Science magazine, he was thus able to study the effects of depriving the brain of oxygen.

Understand Babies

The effects included severe damage to the placenta, the organ through which the mother and fetus exchange many materials, and on subsequent fetal growth. Dr. Myers showed that underdeveloped primates—almost certainly including human babies, since humans are primates—are not necessarily premature babies but are sometimes babies who have lacked enough oxygen.

Dr. Myers taught the technique to Dr. Taub. Now Dr. Taub, with Drs. Gilbert Barro, David Martin of Litton-Bionetics Laboratories in Rockville, Md., and Michael Goldberg of the Medical College of Pennsylvania, has done fetal surgery on 30 developing monkeys, with a 39-per-cent success rate.

By cutting various nerve roots, the Taub group has abolished sensation from different parts of the developing body. And it has learned that—despite the loss of sensation and sensory feedback—these monkeys as infants exhibit nearly normal limb movements.

"In short," Dr. Taub said, "we've learned that these motor patterns do not necessarily depend on sensory feedback, as often proposed, but are instead parts of the animals' genetic endowment."

Dr. Taub taught the methodology to Dr. Patricia Goldman, who is part of a National Institute of Mental Health group working at NIH.

The group is removing parts of the fetal brain to study effects on later learning, and has found that even when much of the prefrontal cortex, an area considered vital to learning, is removed (at the two-thirds point in gestation), the monkey infant can later learn normally.

Development of Vision

Dr. Pesto Rakic of Harvard Medical School has studied the development of vision in fetal monkeys. "But the number of people doing fetal surgery is still few," Dr. Myers said. "I think it has a great deal to do with the fact that federal funding of research today is too low. I think a lot of people don't have the money to take advantage of the method."

Dr. Taub predicted that "it is only a matter of time until someone moves to trying to repair human fetal defects, for example, spinal defects and related neurological problems."

By Ernest Holsendolph

WASHINGTON, Feb. 28 (UPI).—Caught in a policy dispute between the British and U.S. governments, Braniff Airways appeared yesterday to have lost its chance to begin Dallas-to-London flights tomorrow as scheduled.

Following the refusal by British authorities to approve low-cost flights to London by Braniff, the Civil Aeronautics Board last night instructed its staff to prepare a plan to "take reciprocal action" against British air carriers. Braniff cannot start its flights without British approval.

Since actions affecting international fares must be approved by the White House, the board ordered only that the proposal be drawn up by its staff. The CAB action is the strongest that it may take and ultimately the dispute must be settled between the Carter administration and the British government.

The necessity for intergovernmental negotiations so close to tomorrow's deadline appeared to make it highly unlikely that Braniff could start its service as scheduled.

Opposed to Trend

The fare dispute between the United States and Britain has been simmering for months. The British have opposed the trend—supported by the Carter administration and the CAB—toward reduced fares.

The Americans argue that lower prices will build volume, attract more passengers and eventually compensate for the profit-depressing effect of fare cuts.

The British, however, charge that the Americans are proposing a "giveaway" that will destroy the U.S. companies and damage

overseas carriers who must compete with them.

U.S. air carriers have protested the British resistance to reduced fares, saying it violates the transatlantic air service agreement that was signed last year after much wrangling by the United States and Britain.

CAB sources say that the proposed U.S. retaliation could be taken against British Caledonian Airways, a private carrier that serves the United States and has been among the most vocal of those opposing reduced fares.

In another action yesterday, the CAB refused to expedite action on a Braniff counterproposal to raise its proposed fares on the London route, a move that would be more pleasing to the British, so that service could begin tomorrow.

Braniff was awarded the Dallas routes to London earlier this year in a highly disputed decision in which the White House overruled a proposal by the CAB.

Labor Group Protests Detentions in Tunisia

BRUSSELS, Feb. 28 (AP).—The International Confederation of Free Trade Unions announced yesterday that it has lodged a formal complaint with the International Labor Office in Geneva following the detention of about 100 trade union leaders imprisoned after the general strike in Tunisia on Jan. 26.

The trade union organization said the detainees were not allowed to see their lawyers and that their cases are being handled by the police. It added that they are being held without charges.

After Braniff Service Is Blocked

CAB Plans Reprisal for British Air Veto

to give the routes to Pan American World Airways.

Pan American, which had been backed for the route by the CAB because of its well-developed network of routes overseas, was rejected in favor of Braniff because, the White House said, Braniff had feeder lines in the southwest United States that could supply domestic volume to London.

Sources at the CAB say that the proposed fares by Braniff are about six per cent lower than those advocated by the British and that they include a low standby roundtrip fare of \$349 between Dallas and London.

"The result of the board's action," the CAB statement said, "is to continue in effect Braniff's authority to begin service on March 1 under the proposed low fares."

Pan Am Seeks Routes

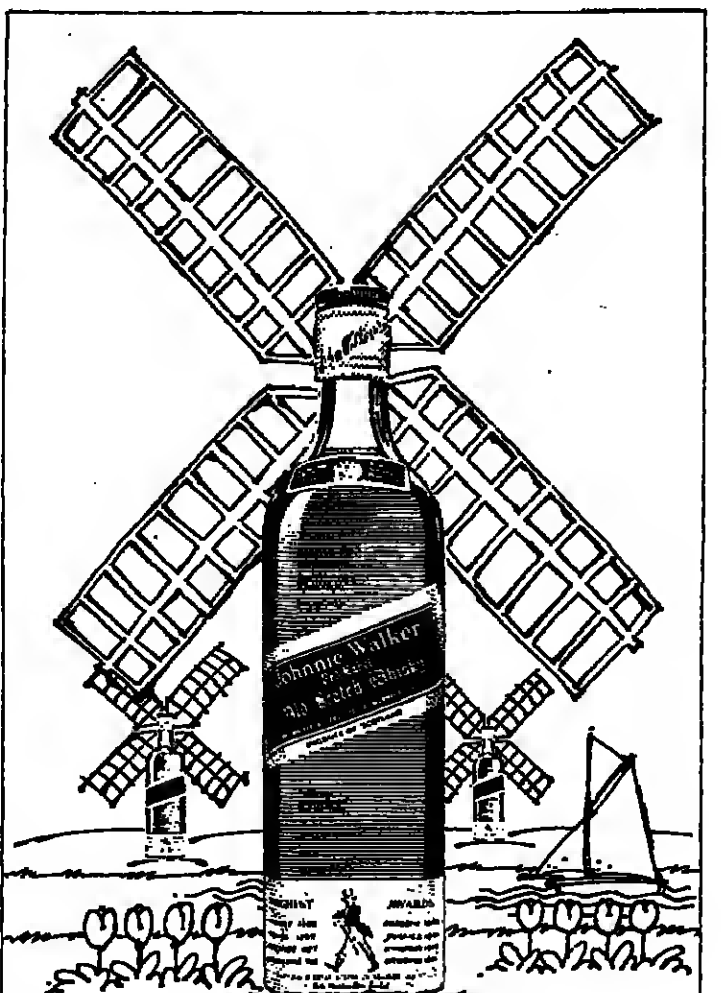
HOUSTON, Feb. 28 (UPI).—Pan American applied today for CAB approval of new domestic and overseas service as well as reduced overseas fares from Houston, an official announced.

"We intend to develop Houston as one of the major U.S. gateway cities on Pan Am's worldwide route system," said the Pan Am vice-president for marketing, Dan Colussy.

Pan Am's only current Houston passenger connection is with Mexico City.

Mr. Colussy said the airline proposed to start Boeing 747 service from Houston to London's Heathrow Airport on July 1.

He said other plans call for linking Houston with Asian and South American cities so that Pan Am will become "the No. 1 international carrier at [Houston] Intercontinental Airport—bringing the world to Houston."



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Bell Helicopter Investigated On Jamaica Commission Fees

By Judith Miller

WASHINGTON, Feb. 28 (UPI).—The Securities and Exchange Commission is investigating another allegation that Bell Helicopter, a subsidiary of Textron, Inc., has made questionable commission payments in connection with the sale of helicopters to Jamaica in the early 1970s.

According to sources familiar with the investigations by the Senate Banking Committee and the SEC into Textron's overseas payments, the agency's inquiry was prompted by a civil suit filed in U.S. District Court in Fort Worth, Texas.

The way in which William Miller, chairman of Textron and President Carter's nominee to head the Federal Reserve Board, has managed the company is being examined in confirmation hearings by the Banking Committee.

Members of the banking panel said yesterday that what Mr. Miller knew about overseas commission payments and what he should have known are legitimate areas of inquiry affecting his suitability to head the Federal Reserve.

Committee Vote Set

[The Banking Committee agreed to vote tomorrow on the nomination of Mr. Miller as Federal Reserve chief, the AP reported.]

[Most members of the committee have stated that they found no evidence that Mr. Miller was involved in or knew of improper commission payments by Bell.]

The suit, originally filed in 1974, charges Bell Helicopter with manipulating helicopter sales in Jamaica, restraint of trade and commercial bribery. The action was brought by the Nunes Trading Company Ltd., Bell's former sales agent in Jamaica, which is being represented by the law firm of Price and Williams of Austin, Texas. David Nunes, a Jamaican citizen who heads the trading concern, has charged Bell with breach of contract and is seeking \$100,000 in damages.

The allegations concerning Bell's sales tactics in Jamaica are among several Textron operations

being examined by the SEC. Others include the use of "push money," alleged false billings, "accommodation" and other questionable payments by several Textron divisions.

The Senate committee heard conflicting testimony regarding a questionable \$2.9-million commission payment made by Bell in connection with the \$500-million sale of 488 helicopters to Iran in the early 1970s.

The committee's six-week investigation of the payment has produced evidence indicating that Gen. Mohammed Khatami, the late chief of the Iranian Air Force and the Shah of Iran's brother-in-law, was a secret owner of Air Taxi, Bell's agent in Iran, and that the general might have received part of the commission for his help in obtaining the contract for Bell.

Canada Urges UN Panel Study A-Units in Space

UNITED NATIONS, N.Y., Feb. 28 (AP).—Canada proposed formally yesterday that a UN panel be set up to study the possibility of limiting nuclear-power sources aboard spacecraft.

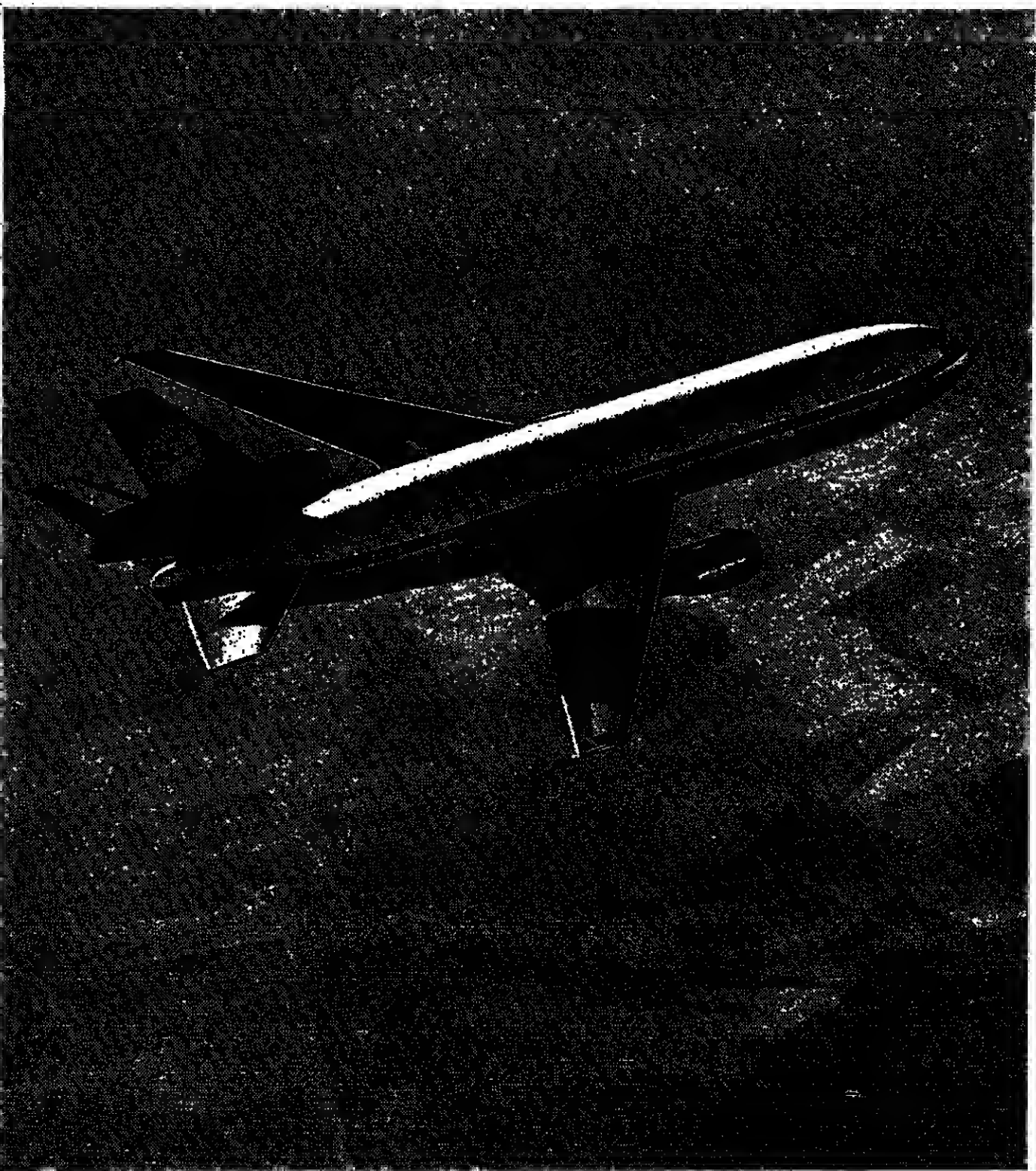
The object of such limitation would be to avoid the danger of accidents such as that when a nuclear-powered Soviet spy satellite fell apart over northern Canada on Jan. 24 and scattered radioactive fragments.

The proposal called for the UN Outer Space Committee's scientific subcommittee to set up a special working group, open to all 47 member countries, on "questions relating to the uses of nuclear-power sources in outer space."

Canadian Ambassador William Burton submitted the working paper to the subcommittee. A member of his mission, who would not be quoted by name, said Japan and Sweden had joined in drafting it and 28 subcommittee members supported it.

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The Unsettling Settlements

The decision of the Israeli Cabinet to continue its policy of creating and expanding settlements in occupied territory adds to Mr. Ahterion's problems in shuttling between Cairo and Jerusalem in an effort to secure agreed principles for peace negotiations.

The settlement problem has often been bogged down in words and names, such as "illegal," "duplications," "security" and "Judea and Samaria." They are all vital to any discussion of the issue, but they do avoid its core. And they can involve lengthy and complicated contradictions, judicial and historical.

The heart of the settlement question is just what they represent in terms of Israeli conditions for peace. To the United States government, they signify sticking points, firmly rooted in an area that the United States—and the United Nations—has considered should be abandoned by the Israelis, with only some alterations for secure boundaries. The Arabs would eliminate those alterations.

* * *

There has been some suggestion from the Israeli side (and the United States has also considered the point) of having a kind of gray area of sovereignty near the Israeli border; the settlements might conceivably be fitted into such a concept. But the Arabs do not show any interest in this proposal, and there are some harsh practical facts—revealed painfully in Lebanon—that hostile neighbors need high walls.

Moreover, if the Palestinian state is to emerge, the West Bank settlements would hardly survive.

Thus the settlements, whether legal or illegal, are an obstacle to peace. It is an obstacle that might be overcome—but hardly if they multiply while negotiations are supposedly under way. And the issue, so far as the United States is concerned, thus forms a block to its role as honest broker. The new and expanding settlements are acts that preempt the function of the principles that the United States—and both Israel and Egypt have accepted that thesis—would like to see stated as the basis for genuine negotiations.

The role of the United States is not, of course, solely that of broker. Both sides demanded active support—the Israelis to strengthen their position, the Arabs to pressure Israel into concessions. And the United States is committed to the maintenance of an Israeli state, which many Arabs want eliminated. So, increasing the number and size of the settlements, before there is any international sanction for their existence, will necessarily play a part in determining American attitudes, not only toward a final settlement through negotiation, but toward the participants in those negotiations.

Given that situation, and considering the virtual isolation of Israel internationally at this critical time, the Israeli government has not contributed to its own security or to its own future. The Arabs are divided, bitterly in many cases. The policy regarding the settlements, formally and openly stated, can only weaken the moderates and strengthen the intransigents. The standing of the United States, whether as broker or friend of Israel, has been undercut.

Our Vietnam Duty Is Not Over

The horror that was Indochina seems never to stop. Thailand, it is now confirmed, has been returning hundreds of Laotian refugees to Communist Laos. The shooting to death of a Laotian woman and her two children was observed last week by the Thai officials who had forced them back across the border. Other returns have been taken away at gunpoint—at the least for imprisonment.

The Thai government bears a heavy responsibility for these forcible repatriations, which have been protested both by the United Nations Refugee Agency and by the United States. But American responsibility is heavier.

More than 100,000 Indochinese refugees, 82,000 of them Laotians, are now in camps in Thailand. Thousands of others have avoided the hardships of life in such camps—where a 20-cent-a-day rice diet is provided by the United Nations—by competing for jobs with the poorest Thais. As the numbers rose, the Thai government warned that it would not continue to provide haven indefinitely if the United States and others failed to provide offers of permanent asylum amounting to at least the numbers of new refugee arrivals. We have failed to do so.

Since the United States first admitted 135,000 Indochinese after the fall of Saigon in 1975, it has assisted in refugee emergencies on three occasions. It agreed to take 11,000 more in 1976, about 15,000 in 1977 and 7,000 so far this year, almost half of them Vietnamese "boat people." But no sustained policy to deal with the exodus from Indochina and to reduce the numbers in Thai-

land has yet been proposed by Washington. With no permanent haven in sight, other Southeast Asian countries are refusing to admit even temporarily the Vietnamese fleeing by boat. Leaky vessels have been forced back to sea; passing ships, under instructions from their owners, have denied rescue even to sinking craft, contrary to all tradition and elementary decency.

All the while Rep. Elberg of Pennsylvania, the chairman of the House Immigration Subcommittee, has been pressing the administration to accept a highly restrictive immigration quota. He has thus helped discourage the White House from a generous use of the President's "parole" authority, which permits the admission of any number of refugees from Communism in emergencies. And the procedures for interviewing and clearing refugees have been applied so meticulously that only a small number of those in Thailand's camps have been declared eligible to enter the United States.

The administration should move urgently in three directions. It should use the parole authority to admit not only boat people but much larger numbers of camp people from Thailand. It should ease the criteria for admission, to take refugees other than those with close relatives in the United States or those who have been endangered by direct participation in the Indochinese war. And it would press for amendment of the Elberg bill, vowing to use the parole authority broadly until Congress adopts a generous and flexible admission formula.

THE NEW YORK TIMES.

The Horn: Four Questions

First question: Can the United States actually do much at this very late time about the very large Soviet-Cuban involvement in the Horn of Africa? No. Direct American intervention is a fantasy. It doesn't look as though Washington, even through its worried friends in the region, can muster enough force to prevent Ethiopia from defeating Somali troops in the Ogaden region and secessionists in Eritrea Province. The Soviet foray is no help to the general East-West atmosphere, but, still, the United States has good reason not to hold other interests like SALT hostage to the Horn.

Second question: How, then, should the United States treat the Soviet-Cuban intervention? However forcibly, it has got to recognize that the principle of territorial integrity in whose name the Kremlin is intervening is accepted by all but about two (Egypt, the Sudan) of the 50-odd members of the Organization of African Unity. They are not equally happy to see Communist power deployed on an African battlefield. But as long as Moscow confines its participation to clearing Ethiopian territory of invaders and rebels, they'll go along. To keep pointing up the geopolitical dimensions of the Soviet intervention, or to start loosely linking it to other East-West issues, as some White House officials in particular now are doing, is to miss the key African point. It is also to advertise American incapacity.

Third question: Does that mean the United States must simply sit quietly and be gored? No. American officials should call international attention to the Russians' repeated pledge, and to the Ethiopian government's own recent pledge to a Carter embassy, to fight only to the point where Ethiopia's territorial integrity is restored. Their promise not to take revenge thereafter on Somalia is one which the United States, and the whole of the OAU, for their separate reasons, share a strong interest in seeing upheld. This means the Russians may indeed reap what gains in prestige and presence come from backing a winner. But it's not the end of the world. If Moscow takes this prize, nothing in its overall African performance suggests it will keep it for long. Occasions should be sought to continue the modest steps taken so far to show that the United States would appreciate a nonaligned Ethiopia.

Last question: Will that be the end of the Russians in Africa? Hardly. With a new intervention capability to test and flaunt, and with no important domestic drag on policy fancies, the Russians are clearly determined to have their run. The next likely place is Rhodesia, where they would enter in support of the only goal—"liberation"—that is more meaningful to most Africans than territorial integrity.

THE WASHINGTON POST.

In the International Edition

Seventy-Five Years Ago

March 1, 1903

NEW YORK—Reports from Mexico state that the great volcano Popocatepetl has been bought by a group of American financiers, including the Standard Oil Company, for \$6 million. The mountain was bought for its sulfur content. It just might be a good investment, because though it continues to throw up great jets of hissing steam which deposit layers of pure sulfur, it has not indulged in any violent outburst in the memory of man.

Fifty Years Ago

March 1, 1928

PRINCETON, N.J.—Princeton graduates of this class of 1877 have their own theory on longevity. Get married to live long, they advise. This was revealed in vital statistics of the class, published in the golden anniversary book, just off the press. Forty-two per cent of the married members are still alive, and only twenty-five per cent of the bachelors survive, the book says. Doctors and journalists of the class lived the shortest lives.



Opportunity for U.S. Energy to Go Nuclear

By Joseph Kraft

WASHINGTON—Coal is dead. Long live nuclear power—and safety. That is the underlying meaning of the nuclear energy strike for the consumer energy problems. So it is good news that there is being announced this week a new technique which divorces all-out nuclear production from proliferation of nuclear weapons.

For several years now, coal has been at the center of the country's energy strategy. Thurston Morton, the top energy man in the last administration, called it "America's ace in the hole." President Carter's National Energy Plan prescribes a tripling in coal production by 1985.

But the strike demonstrates that the extensive practice of underground coal mining is not truly consistent with the sensibilities of an advanced industrial—or, as Daniel Bell puts it, a "post-industrial"—society. The work is dangerous, dirty and hard. Those who undertake it demand privileges which go beyond the usual reward of high wages.

The coal miners seek old-fashioned, individual freedom. They don't want to be pushed around by management or labor or government. That is why there is an anarchic union forced by its members to demand the right to work without being out any serious penalty against wages, employment or health and pension benefits.

Patience, Prayer

The post-industrial society affords tolerance, if not universal support, for these demands. So the Taft-Hartley Law couldn't be made to work, and a seizure of the mines would have encountered—and still might encounter—strong congressional opposition. The President in these circumstances has had as his chief weapon patience, and a prayer that, after the operators gave way, the miners would accept their surrender.

Theoretically the problems of Eastern coal could have been solved by Western coal. For the seams in the Rocky Mountains lie close to the surface and do not require underground mining. But a feature of the post-industrial society is sensitivity to environmental problems. An-

other feature is high concern about unemployment.

These two concerns have combined to shape the latest clean-air regulations. The new rules require that 90 per cent of the sulfur content be removed from coal before the waste is emitted. That discriminates against Western coal, which is so low in sulfur content that it would not ordinarily need any special treatment. As a result, Western coal will not be competitive east of the Mississippi. There will be no Western coal rush.

Nuclear power, by contrast, is free from all these social constraints. It is cleaner, cheaper, safer and more reliable than coal. The most progressive power producers in the country have long since gone over to nuclear reactors. A notable example is the Tennessee Valley Authority, which—having led in hydroelectric power during the 1930s and coal-fired plants in the 1950s—is now going nuclear in a big way.

Association with nuclear weapons, to be sure, has generated a good deal of public apprehension about nuclear power. Though polls and referendums show an

overwhelming part of the population favorable to nuclear power, many citizens and political leaders of unquestionably high motivation oppose—and successfully oppose—leading nuclear power plants in major population centers.

But that problem can be met by placing the plants on government reservations or in nuclear parks. Thus the Hanford Nuclear Reservation in the central part of the state of Washington is being used for building three reactors due to provide power to the populous areas around Seattle and Portland. California could also have a piece of that action if Gov. Jerry Brown would be sensible about his state's overwhelming energy difficulties.

Waste Disposal

A second worry is disposal of nuclear wastes. There has been undoubted sloppiness in disposing of the nuclear wastes from military programs. Though no damage has been done, some of the radioactive material has leaked from containers stored at Hanford. But that can easily be

remedied—and indeed is being remedied—in a crash program for shutting the stuff in new containers.

The problem becomes much smaller if this country begins moving toward reprocessing plants and breeder reactors which use spent fuel to generate more nuclear fuel. President Carter has turned away from that path because reprocessing generates weapons-grade material and this might prompt proliferation of nuclear bombs. His hope was that if the United States went slow, France, Britain, West Germany and Japan would follow suit.

They have not—but the delay has yielded a dividend. Scientists in Britain and this country have developed, and are announcing this week, means for going through the whole reprocessing cycle without producing weapons-grade material. That development is a special boon for President Carter, whose past emphasis on nonproliferation was going nowhere. The President would be well-advised now to seize the opportunity for proclaiming this country's full entry into the nuclear age.

Taxpayers' Revolt in California

By William Safire

SAN DIEGO—Topic A here in the nation's most populous state is neither "Hollywood Behind Closed Doors" (an SEC production) nor "Jerry vs. Jimmy in 1980" (a Gov. Jerry Brown fantasy). Topic A is "The Jarvis Initiative."

Seventy-five-year-old Howard Jarvis, an irascible old codger usually dismissed as a "conservative gadfly," went out and got 12 million Californians to sign a petition that puts a proposition on the June primary election ballot to reduce property taxes to 1 per cent of assessed valuation. That would slash the average property tax bill by two-thirds, and would give the state budget a \$7-billion kick in the head. Nearly every "responsible" politician and editorialist in the state is agnostic at the consequences: firing teachers, closing schools and hospitals, cutting welfare.

But the damn thing could pass, says one prominent politician, who like most others is afraid to oppose in public the modest proposal of the aroused property owners. "And if the tax revolt succeeds here, in a fairly liberal state, there's no telling where it could lead."

To do battle with the Jarvis Initiative, state legislators—who did nothing about soaring property taxes last year—are now scurrying about submitting alternative tax-relief proposals. Democratic Gov. Brown, studiously silent about Jarvis, supports a different item on the ballot that keeps the power to tax in the state government's hands while vaguely promising some property-tax relief.

New Barrier

Meanwhile, to prepare for the possibility of a Jarvis victory, legislators are working on proposals to increase other taxes to keep the state government in business. Jarvis is aware of this: Muttering about the "senile old men" who oppose him, the agile codger is preparing a proposition for the November ballot to block the state from levying these new taxes.

The national significance of this revolt against taxation-as-usual should be apparent: Talk of tax reform is not enough when middle-class people have tax relief in mind. State and local governments, which have ballooned much faster than the federal government in recent decades, so after what the taxpayer owns (property taxes) rather than what he earns (income taxes). As a result, the strapped "rich" are lashing back at the well-to-do "poor."

Why should this revolt begin in southern California? The quick answer is that the population is older and the incidence of home ownership higher. But an underlying reason is the surge in the number of illegals—aliens fleeing poverty in Mexico—who have been crossing the border by the hundreds of thousands. Whether they are derided as "wetbacks" or welcomed as "undocumented persons," the newcomers are transforming California life: Los Angeles will soon be the predominantly Spanish town it started out to be, centuries ago.

But the illegals do not come to go on U.S. welfare. By and large, they work harder than most U.S. citizens, and in the long run will strengthen the country. They are renters, not property owners, however, and their children born here—all U.S. citizens—require public schools and other services usually financed by property taxes.

As one might expect, property-taxpayers see themselves giving much more than they are getting; they see wage-earners, both legal and illegal, getting more in services than they pay for in taxes. Thus, led by the apartment-house owners (those despised "landlords"), and supported by far more numerous homeowners whose children have already finished school, the property-taxpayers have rebelled.

Sales, Income

If the Jarvis Initiative succeeds, or even if this State of California comes up with a moderate alternative to reduce property taxes, the local tax base will shift from the "haves" to the "makers." The sales tax falls on the purchases made by illegals and others, and a local income tax reaches those who most often make use of local services.

Is such a shift good public policy? I think so. The present notion of putting a tax on wealth, so popular with soak-the-rich demagogues, actually soaks the middle class—penalizing the thrifty while profiting the profligate. People should be taxed on what they earn, not on what they had been able to accumulate after taxes, through savings and investment.

By mindlessly jacking up property taxes, we have been discouraging home and apartment ownership, which is a powerful force for personal economic stability and national economic growth. That's the first tax that ought to be reduced if we want to stimulate the economy without generating inflation.

And so I embrace the seemingly radical Jarvis Manifesto. A specter is haunting state and county bureaucracy: the specter of tax revolt. Mortgages of the world, unite—You have nothing to lose but your liens.

Other View Of Jordan's Status, Value

By David S. Broder

WASHINGTON—Patrick Anderson, who wrote a book "The President's Men" on White House assistants and in 1976 served as a speech-writer for Jimmy Carter, had a concluding thought for Hamilton Jordan. Described as Jordan's troublemaker last week, they were not as serious as those of Harry Hopkins, the Franklin Roosevelt aide whom Anderson described as "the most influential and admirable" of all the presidential assistants of this century.

Hopkins, who moved into the White House with his young daughter after his first wife died of cancer, was the subject of endless gossip and criticism. So controversial did he become that at one point he hung out a sign saying, "We ain't mad at nobody"—in effect suing for peace. But there was no peace for Hopkins, and Anderson cites him as a prime example of that general point he makes in his book: "A president's trusted aide can attain power and glory, but the power is precarious and the glory may become tinged with notoriety, for there are many dangers inherent in his position."

Last week, Hamilton Jordan learned again of those dangers. For the second time in a few months, he was the central figure in an unpleasant public encounter with an offended woman. The first incident involved a presidential spokesman he allegedly persuaded to or about the wife of the Egyptian ambassador. The second involved a barroom scene with a woman who alleges he spit his drink at her and who, in any case, undeniably hauled off and slapped him.

Taken at Word

In both instances, Jordan affirms that he was not the guilty party. The President and his associates in the White House take Jordan's word for it. His power has risen inside the White House even as his notoriety has grown, and today he is generally recognized as the most important of the President's policy and political advisers. He is also 33 years old and recently separated from his wife. His father, who had been ill with cancer, died last week of a stroke.

I do not know much about Jordan's social life or conversational tastes. And I can only guess at the personal pressures under which he has been operating. My discussions with him over the last five years have been in the line of business.

I do know a couple of other things about him, however. He has one of the best political minds I have ever met—a keen sense of public moods and good judgment about the effect of alternative strategies and policies. His assessments of Carter's situation and prospects—minuses as well as pluses—have been unfailingly honest.

Second, in an administration where public relations and polls are given perhaps excessive weight, Jordan is one of the handful of people with access to Jimmy Carter who really cares about the ultimate objectives of politics. The pursuit of peace and social justice are not just slogans to him.

He also happens to be a man whose loyalty to Carter is unquestioned by the President. From all accounts, Jordan uses that position of trust to give Carter very frank advice.

His personal memos to the President, I am told by those who have seen some of them, are models of direct, unhedged, non-bureaucratic prose. He is willing to go toe-to-toe with the President in verbal argument when he disagrees with Carter's proposed course of action.

Embarrassment

The presence of someone with those characteristics in any White House is very much in the national interest. But there is no question—even in the minds of White House colleagues who defend him—that Jordan's reported escapades have become a political embarrassment (and maybe more) to Carter.

Jordan has a right to live his own life. But more than a year ago, Bob Strauss, who shares with Carter a paternal affection for Jordan, gave him some advice. "You are living in a company town," Strauss said, "and if you're going to thumb your nose at the standards of this town, you better live like a saint. Cause if you do one thing wrong, they'll never let you forget it, and they'll bound you out of town, like you were the devil."

It was good advice then. And it is even better advice today.

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DINING OUT IN PARIS

Black-Belt Cookery,
Rustic and Refined

By Naomi Barry

PARIS, Feb. 28 (UPI).—When the chef of an outstanding Paris restaurant is robust, springy and a black-belt skido (a martial art), a confidence wafts through the premises. In addition to the good tasting food, it must be good for you. After all, one thinks, there's nothing grayer about the well-muscled patron, and he has his own cooking.

Pierre Vedel probably comes under the category of "nouvelle cuisine," an appellation which makes him laugh. "When you step away from the publicity and the 'glamour,' what have you? True French cuisine is ancestral. It is based on the home, the woman, the land, the peasants. Here in my restaurant, I have personalized it, lightened and refined it, added a little touch of my own."

He is too hard-headed a Meridional to inflate the subject any further. His style is appetizing, flavored with imagination, rigorous about first-quality products, and it leaves you in a condition to get up from the table with ease.

Doctors (the Paris medical profession eats out a lot and with discernment) are regulars. Vedel is particularly linked with those who specialize in nutrition for sportsmen and in research on healthy eating. The always-full restaurant has room for 34. "I refuse to enlarge because I insist on attention for all my guests," he says. "However, I keep a waiting list, like for an airplane. If somebody cancels, I'll phone back and say I have a table."

Taught in Japan. A stunning starter is a *salade de saumon à la citronnelle*, delicate in taste and as charmingly arranged as a Japanese entrée. The presentation is no accident. Vedel was sent to Japan for a year by Jacques Médecin, the Minister of Tourism, to give lessons in French cuisine as part of a cultural exchange. But a good teacher always learns in the process.

Slices of fresh salmon (marinated in lemon juice) and subtly pinked with green aniseed are thoughtfully crossed over a salad of mache and endive cut into julienne. Over all this goes a douse of the finest virgin olive oil.

"My father sends me the oil from Sète (a coastal city near Montpellier)," he says. Vedel is Setais like his friend singer Georges Brassens, whom he sees

nearly every weekend. "People from my town are a Mafia. We stick together." The Mediterranean shows up on his menu in a number of dishes: Bourride as done in Bouzigues, fillet of rascasse with small vegetables and a cream of tarragon, *rougets* (small red snappers), *bonillassou* of fish with fresh garlic.

Other regions of France figure, as well. Vedel, who wanted to be a ship's carpenter, at 14 became apprenticed to a cook because there were no openings in the marine carpentry school. In his first kitchen, he met a *compagnon de France* who inspired him to follow suit in the ancient apprenticeship of artisans that began with the cathedral builders. During the Middle Ages, craftsmen wandered and worked all over the country until they passed an examination proving they were masters of their trade. The order continues although there are fewer and fewer novitiates.

For 10 years ("I now have 25 years of métier"), the youthful Vedel carried his knives to Brittany, Normandy, Touraine, Lyons, the Vendée. "I don't know how many establishments I was in, but I worked in every province. France is a marvelous country, full of variety."

Adventure "When I finished my tour of France, I went out on my tour of the world. For adventure, Japan, Korea, Okinawa, Venezuela. When abroad, I was very cowardly although at home I am not the least bit cowardly."

Many of his dishes suggest rural France, but pruned of their rusticity. Cabbage soup with pork rind harks back to Auvergne. Poached eggs on *beurre rouge* suggests Burgundy. For the latter, he places two poached eggs in an artichoke bottom and naps them with a reduction of shallots cooked in red wine. It is a dish more hearty than heavy. Vedel regards it as a first course. A woman might consider it a main course.

"*Bonillassou* is an old word from Languedoc. It is basically a lobster bisque strengthened with sweet garlic. Fresh garlic is very good for the circulation." Steam cooked to the second, fillet of St. Pierre or of turbot à la mousse de carottes exemplifies Vedel's invention. The mousse is a successful purée of



Pierre Vedel in kitchen of his Paris restaurant.

carrots and pumpkin. "I wanted to combine in a natural way sweetness and juicy softness." Few can identify the presence of the pumpkin.

The *fricassée de poissons aux rucolas vertes* is a delight. Small pieces of fillet of sole, or sole and turbot, are steam cooked and served with a sauce laced with the juice of green grapes and the inclusion of a few whole grapes, seemingly fresh though out of season. He preserves the grapes himself to have a year-round supply.

Concentration The restaurant has the plainest of walls and decor but the tablecloths are sparkling white and the plates are the same Villenoy et Boch used by Michel Guérard and the Troisgros brothers. Everything is concentrated on the table. Only a single sumptuous over-sized bouquet at the bar breaks the sobriety.

For one year, Vedel was the chef at le Grand Vefour and for three years he was chef at the Eclair de Paris. Two years ago he opened his own restaurant on an unfashionable street in the 15th Arrondissement.

"I wanted a neighborhood like this. I have great respect for people but I can't stand chitchat. My friends are not clients but

my clients have become friends. At night around here, it is like the Bronx. Deserted. All the cars coming around here are coming to me."

His tour of the world did not include the Bronx.

PIERRE VEDEL. 50 Rue des Morillons, Paris. Telephone: 826 04 37. Closed Saturday evenings and Sundays. Average price, including service and wine, 70 to 80 francs.

ON PARIS SCREENS

Showmanship That Is out of This World

By Thomas Quinn Curtiss

PARIS, Feb. 28 (UPI).—"Close Encounters of the Third Kind" (at the Gaumont Champs-Élysées, the Saint-Germain Ruecette and the Hauteville in English) is the great new American hit. Everyone is impatient to see it and it is certain to divert almost all for it is a highly charged and quite startling entertainment.

The work of the youthful Steven Spielberg, who was responsible for "Jaws," it is additional evidence of his director's acumen as a diagnostician of the public pulse. It would be superfluous to examine this spectacular fantasy thriller that it merchants are akin to those induced by a ride on a scenic railroad. That its preposterous scenario is conveyed solemnly—as though it were an explanation of the Einstein theory of relativity—only denotes its sound showmanship. It is sagacious for thrillers to refrain from laughing at themselves.

The tranquility of a tiny Indiana town is disturbed one night by flying saucers whizzing by. The electricity falls and all mechanical gadgets cease to function while the district trembles as though in the throes of an earthquake. A 4-year-old boy disappears in the smoky confusion and it is suspected that he has been snatched up by one of the raiding objects. A mother's complaint and the protests of the neighbors who have witnessed the odd occurrence bring the matter to official notice.

Truffaut as Actor An international committee that devotes itself to the study of unaccountable happenings convenes. Among its members is a French savant (François Truffaut, the director, turned actor for the

occasion) who reports on his plan to communicate with the space visitors by means of musical notes. He establishes contact with them and, despite first misgivings, they are not hostile. A meeting with them is arranged in the wastes of a Western desert. Through the haze one glimpses the creatures of nursery nightmares inviting brave volunteers to board their monster spacecraft and depart for unknown realms.

The acting is definitely of the third order, plain and primitive, with Richard Dreyfuss as a toiler in a provincial powerhouse whose insatiable curiosity enlists him for a space voyage; with Truffaut seeking to be of bustling importance as the French research scientist; with Melinda Dillon as the worried mother and with Cary Guffey as the kidnapped child.

The futuristic speculation is of the pulp-magazine variety rather than that of Jules Verne or H.G. Wells, but Spielberg has produced the delicious script very grandly as an exciting display of special effects. The screen has long neglected its possibilities to realize the fantastic and now with "Close Encounters"—together with "Space Odyssey 2001" and "Star Wars"—reopens a profitable playground. Such pictorial wonders tickle the child in adults and their appeal is worldwide and suffers no generation gap.

"Demon Seed" (at the Biarritz and the St. Michel in English) is more science-fiction harum-scarum, manufactured on a relatively minor scale and at less expense.

In this shocker a thinking machine goes berserk. Brooding, it becomes obsessed with a propagative urge and would fether an offspring. To this purpose it locks the estranged wife of a professor in her home, where the

computer serves as a domestic, and seduces her about. One might imagine that this erudite contraption would have an Oxonian accent, but its voice is that of a Hollywood booking agent. Jube Christie, the object of its intentions, looks appropriately appalled at the unique proposition, but the insistent machine has its way with her. The scenario is based on a novel by Dean R. Koontz, but its climax recalls Karel Capek's play, "R.U.R.," in which robots took over civilization. In any case, the novelty of its situation is a relief from movies about bank robberies and the intrigues of nefarious politicians.

Luigi Comencini's "L'accompagnato" (at the Monte Carlo and the Quinette in Italian) is an adaptation of Florence Montgomery's weepy Victorian novel "Misunderstood." It was included in the program of a Cannes festival some years ago and its rude reception there has delayed its French release.

The bad-mannered festival audience whistled at it as it has whistled derisively at many a reputable film—the subsequent Spanish success "Bread and

Wine," and Antonioni's "L'Avventura" among them.

Comencini has taken the Montgomery tear-jerker about the bewilderment of youth, recast it against the scene of modern Italy and retold its labyrinthine narrative with commendable skill and moving pathos. It concerns the two sons, ages 8 and 11, of separated parents and the older boy's futile efforts to express his love of his father. Stefano Colagrande as the thwarted, high-strung boy and Simone Giannacci as his mischievous little brother play with such engaging simplicity that they and their roles are one, while Anthony Quayle renders helpful support as the aloof father. The beautiful setting is complemented by the handsome photography and the exquisite music that Comencini has evoked. He has transformed the sentimental old novel into a motion picture of unusual quality.

"Elles Deux" (at the Racine, the Marbeuf and the Saint-André-des-Arts in its original version) is the new film of Marta Mercader, the Hungarian director of the recent "Aphrodite." It deals with the self-revelation of two women who find in their friendship consolation for their unhappy marriages. The film has been well received by the critics and who was not lured by him. The second has less subtle problems, having been the male of a drunkard, Marina Vlady and Lili Markey are the competent interpreters of the two ex-wives who find mutual strength in each other's understanding. The film, with its layered development and psychological probing, is intriguing and intelligent. It was a favorite of the critics at the recent Paris festival.

Henry Ford Objects
Sold for \$2.1 Million

NEW YORK, Feb. 28 (Reuters).—Antiques belonging to Henry Ford 2d and his former wife, Anne, have been auctioned for a total of \$2.1 million, with nearly half sold above the auctioneer's highest estimates.

The sale Saturday, conducted by Sotheby Parke Bernet, mainly featured 18th-century French furniture, clocks, gold boxes and porcelain.

AROUND THE GALLERIES

Brussels

Christian Leroy, Galerie Claude Jonen, 149 Chaussée de Charleroi, Brussels, to March 4.

Strange and strong sculptures in terra-cotta and bronze show human figures and occasionally animals dramatically posed, tensed in a crouch, a head flung back with neck muscles taut, mouth open in a scream, interlaced in play and in just, small-scale nudes, male and female, in total abandon, insouciant children. A large seated figure of a woman holds a baby in her lap, a horse agonizes on its back in a brilliantly sculpted movement. Leroy models within the Belgian tradition of the mabaret but his work has more assertive realism than most and skips the whimsy. His drawings are in the same vein, sharply etched, no frills, with the accent on a moment of movement, of agony or of sexual ecstasy.

Gaëtan Pompa, Hilton Gallery, Bd. de Waterloo, Brussels, through March.

Pompa's work is densely packed with detail not to be missed, bizarre, secretive and full of eccentric symbolism. It gives a bendy glimpse of an absolutely authentic and unlabored fantasy. An artist who can take six years to complete a painting, and no wonder, he has few shows and this collection is on a tour of Europe. Archaisms landscapes with tall-towered castles bloom on the town of a wide-brimmed straw hat, bird knights bearing banners fly through the air in a sort of airborne small-cum-stuffish escorted by a glider and a man with rubber wings; peacock-patterned snakes writhe sinuously through many of the paintings. The furred small reappears to confront a toy airplane with, even, and a centipede made up of tiny balls of wool sports legs and antennae.

It's careful, polished work without florid surrealism.

Edith Smith, Gallery Dautenberg 76, 78 Rue Dautenberg, Brussels, to March 25.

Here are pastels and prints of skill and versatility by an American artist who has a delicate hand with color and folds her clearly defined forms, often a portrait in profile, a human figure, into an area of enveloping abstraction so that they blend gently and create their own shapes and perspective.

For this show, Edith Smith's work is limited to graphic art but next year she plans to bring her oils to Europe; slides of the paintings show an astonishing mastery of dizzying perspective and stylized, misleading angle and space effects.

Antoine Laval, Jean de Witte, Galerie Anne Van Horenenbeck, 181 Chaussée de Charleroi, Brussels, to March 25.



A Leroy sculpture

Laval makes compositions out of collages from paper, newspaper and brown paper. Placed with enviable neatness of technique in strips, circles, squares, overlapping or firmly separate, they form disciplined work with a certain constructivist flavor and are painted over in pleasing color.

De Witte shows photographs of neon lighting effects in sharp black and white, the neons cutting sparkling patterns through the thick blackness surrounding them.

—RONA DOBSON.

Rome

Afro (1912-1976), Retrospective, Galleria Nazionale D'Arte Moderna, Valle Giulia, Rome, through April 6.

This painter is considered one of the leaders of abstract expressionism in Italy. His early figurative canvases were sensitive and of high craftsmanship but not definite in style. He gradually came to a Picasso-like semiabstraction. Ben Shahn-like drawing, and then to a fascination with the New York School. At the height of his career in the late '50s a life splashing manner was close to abstract painting in gesture, but not the least in feeling. The looseness was studied, more a display of high craftsmanship than a gut-deep attack. Only quite late did Afro come to a special expression of dovetailing terraced shapes in decorative patterns and warm earth colors, which, though moderate and tight, was finally

his own. Besides the figurative early work there are prints and drawings.

The hanging of the major body of his work over a hundred abstract paintings, up and down the walls of the central hall of the museum in a salon-type display, created a mild sensation. It appears more gay and festive than the ordinary hanging at first, but basically betrays an insensitivity and disregard for the content of the individual composition. In the old, Louvre-type salon hanging, each picture had subject matter and a wide frame to define it. Here the unframed abstractions, like so many papers on a newstand, lose identity and run into one another and cannot be individually studied.

—EDITH SCHLOSS.

Paris

Hélion, Galerie Karl Finkler, 25 Rue de Tournon, Paris 6, to March 4.

There is a purposeful concern with objects—bats, tables, vegetables and other common-roman artifacts—in Hélion's work that reveals a sort of moral principle. Hélion may be boring sometimes, but he is a pro. The present show is devoted mostly to works on paper and sometimes, despite the artist's obscure purpose, one discovers an actual sign of pleasure in the act of applying color to a surface. The purpose seems to be that Hélion wants to deal with the objects of daily life: "I will take an honest, straightforward delight in that pumpkin if it kills me." But the pumpkin just sits there. What barely saves it is its splendid pumpkin-color, and that is what barely saves Hélion at times.

—MICHAEL GIBSON.

'Pyramid' Ruins
Found in C. Asia

MOSCOW, Feb. 28 (UPI).—Archaeologists excavating in the Kara Kum Desert of Central Asia have uncovered the ruins of a structure resembling a pyramid, Tass said Saturday.

The news agency said the pyramid formed the nucleus of a group of structures covering 10-764 square feet at the Allyn-Depe (Gold Hill) site where the desert meets the Kopetdag foothills in southern Turkmenia.

In the opinion of specialists, Allyn-Depe is the most ancient urban-type civilization in the territory of the Soviet Union," Tass said. "It is about 4,000 years old."

Tass said a "Babylon-type tower" and numerous articles made of precious metals and stones found there indicated that the ancient inhabitants maintained contacts with the civilizations of Mesopotamia, India and Egypt.



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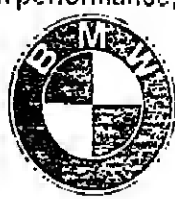
sports car, offering the comfort of an exclusive luxury saloon in unusually compact dimensions.

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[illegible]

International

[illegible]

NEW YORK (AP)	Closing Prices, Feb. 28, 1978	D.C.
The following list	Petition	7

[illegible]

Feb. 28, 1978
(U.S. dollars per ounce)

	Open	Close	A.C.
London	182.00	182.25	+1
Zurich	181.55	182.375	+1
Paris (12.5 Kilo)	182.25	182.34	+1

Eurocurrency Interest Rates

	Dollar	German Mark	Swiss Franc	Sterling
1 M.	6 1/8-7 1/8	5 3/4-6 1/4	5 1/2-6	7 1/4-7 1/2
3 M.	5 1/4-6	5 1/4-6	5 1/4-6	7 1/4-7 1/2
6 M.	5 1/8-5 3/4	5 1/4-6	5 1/4-6	7 1/4-7 1/2
1 Y.	7 1/8-7 3/4	6 1/4-6 3/4	6 1/4-6 3/4	8 1/4-8 1/2
2 Y.	7 1/4-7 3/4	6 1/4-6 3/4	1-1 1/8	8 1/4-8 1/2

Interest Rates

		Dollar	Mark	Swiss	Franc	Starling
1	M.	612-75	3 1/2-3 3/4	1/2	1/2	7-7 1/4
2	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
3	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
4	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
5	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
6	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
7	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
8	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
9	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
10	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
11	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
12	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
13	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
14	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
15	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
16	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
17	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
18	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
19	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
20	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
21	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
22	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
23	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
24	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
25	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
26	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
27	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
28	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
29	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
30	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
31	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
32	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
33	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
34	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
35	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
36	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
37	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
38	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
39	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
40	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
41	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
42	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
43	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
44	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4
45	M.	7 1/2-7 3/4	3 1/2-3 3/4	1/2	1/2	7 1/2-7 3/4

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Trust Company, Trustee (hereinafter called "the Trustee"), there will be redeemed on April 1, 1978, through the operation of the Sinking Fund, at a redemption price equal to 100% of the principal amount to be re-

2	884	1650	2342	3009	6759	4504	5137	5915	6556	7240	8115	8748	9436	10019	10596	11287
20	896	1669	2351	3032	3776	4507	5154	5933	6676	7243	8123	8744	9437	10085	10603	11308

68	926	1728	2452	3067	3806	4549	5254	5883	6607	7349	8168	8812	9489	10083	10657	11361
71	929	1765	2454	3084	3832	4584	5298	6012	6824	7371	8176	8829	9499	10088	10663	11366
80	948	1778	2487	3085	3838	4584	5326	6036	6827	7372	8189	8851	9517	10082	10688	11368

181	868	1852	2533	6121	5897	4664	5366	8068	6881	7480	8248	8906	9573	10117	10760	11450
184	1086	1876	2641	3122	3827	4675	5383	6089	6885	7512	8254	8916	9590	10185	10733	11473
203	1118	1883	2641	3129	3840	4678	5384	6108	6704	7515	8262	8926	9598	10193	10739	11478

230	1190	1822	2254	0173	3889	7179	3405	0128	0130	7090	0263	3038	3037	10188	10768	11870
238	1188	1927	2616	3180	4002	4797	5447	6145	6788	7550	8308	9068	9845	10192	10788	11577
242	1215	1943	2617	0199	4066	4903	5464	6152	6772	7581	8313	9050	9867	10212	10811	11694
246	1216	1943	2617	0199	4066	4903	5464	6152	6772	7581	8313	9050	9867	10212	10811	11694

391	1949	1978	2026	3233	4100	4949	5789	6192	6893	7033	8071	9113	9723	10253	70840	11780
341	1271	1993	2663	3254	4125	4844	5509	6193	6881	7580	8420	9113	9723	10259	10863	11778
397	1281	1996	2688	3255	4129	4862	5528	6197	6919	7713	8465	9122	9742	10262	10871	11794

563	1351	2012	2751	3380	4173	4911	5807	6305	6848	7783	8825	9106	9770	10878	10816	11842
617	1234	2075	2750	3868	4161	4917	5611	6312	6800	7793	8546	6197	9788	10327	10852	11846
624	1389	2094	2768	3431	4225	4993	5814	6585	6889	7813	8549	9202	9793	10362	10875	11861

6400	1480	2163	2942	3501	4264	4974	5668	6361	7026	7670	8389	9265	9946	10498	11010	11896
689	1493	2168	2949	3514	4298	4978	5682	6376	7027	7674	8396	9264	9866	10481	11014	11901
693	1499	2178	2974	3565	4294	4995	5685	6384	7035	7677	8412	9307	9873	10493	11067	11906

723	1003	2130	2031	3619	0422	3134	9443	7119	7919	8669	8633	8822	10401	11114	11320	
728	1555	2227	2900	3622	4341	5031	5758	6485	7133	7921	8669	9345	9940	10480	11116	11949
773	1577	2247	2915	3641	4353	5060	5764	6476	7158	7924	8674	9368	9943	10503	11145	11951
778	1584	2252	2916	3644	4356	5063	5767	6479	7161	7927	8677	9371	9946	10506	11148	11954

533	1807	2304	2968	3722	4428	5103	5826	6631	7189	8067	8717	9411	9990	10581	11207	11990
842	1827	2320	2994	3747	4445	5112	5828	6549	7210	8077	8722	9416	9993	10576	11210	11993
880	1845	2327	3005	3754	4484	5132	5831	6565	7214	8084	8725	9418	10009	10581	11221	20002

thereof, together with interest thereon accrued to the date fixed for redemption, in United States dollars at the option of the holder either (a) at the Corporate Trust office of the Trustee, One Bankers Trust Plaza, New

WAGG & Co. Limited and S. G. Warburg & Co. Limited in London, Banca Commerciale Italiana in Milan, Bankers Trust Company, Baouque de Paris et des Pays-Bas, Banque Rothschild and Société Générale in Paris, and Banco de São Paulo and Banco de Rio de Janeiro in Brazil.

The following are the serial numbers of the Debentures bearing prefix M which were called for redemption:

100 APRIL 1, 1977: 185, 188, 188A, 1887, 1800, 1960, 1651, 2048, 2801, 3479, 2485, 3504, 3519, 3815, 3815, 3821, 3444, 3723, 5726, 3729, 3989, 3990, 5008, 5017, 5014, 5016, 5019, 5082, 5037, 5089, 6034, 6035, 6145, 6146.

Dated: March 1, 1978.

57-20

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67, avenue Franklin Roosevelt Paris
Tél : 350 61 40 - Fax :

Total of the balance

1976 : 3,209,000,000 F
1977 : 3,564,000,000 F

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1. *Journal of the American Medical Association*, 1997; 277: 1039-1043.

PARIS, WEDNESDAY, MARCH 1, 1978

Page 9

New Economic Strategy Adopted

By Carl Gewirtz

PARIS, Feb. 28 (AP)—The major industrialized countries agreed today to endorse the "convergence" approach to revive economic growth and replace it with a more fluid "convergence" theory.

Under the new strategy, adopted at a two-day meeting of the Organization for Economic Cooperation and Development, the burden for pulling the industrialized world out of the doldrums will be shifted from the economically strong countries—the so-called "convergence" group—to the United States, West Germany and Japan to a much broader-based grouping.

This would include other strong countries, Switzerland, the Netherlands and Belgium—and the "convergence" countries such as Britain, France and Italy, whose reduced levels of inflation and improved balance of payments positions are now deemed sufficient to allow them to adopt a more expansionary domestic policy.

The object of the new strategy is that each country would expand at a pace that is consistent with its own constraints, but that by increasing the number of countries moving forward, the impact would reverberate more quickly and more widely throughout the world.

There was almost unanimous agreement that this made sense,

that this was consistent with further progress on inflation and stabilizing and reducing unemployment," said Charles Schultze, spokesman for the committee and chairman of the U.S. Council of Economic Advisors.

He stressed that the meeting was a strategy session and that no attempt was made to assess growth forecasts of individual countries or to assign growth targets. He did say, however, that the strategy would succeed if the forecasts of individual countries are realized.

West Germany, for example, projects that its fourth-quarter 1977 to fourth-quarter 1978 growth will be in the range of 4 1/2 per cent (a calendar year advance of around 3 1/2 per cent)—an assessment viewed with some skepticism within the OECD secretariat and by some other countries.

One participant at the meeting commented to newsmen that the success of the new strategy would still depend on the willingness and ability of West Germany and Japan to meet their ambitious growth targets because the other nations, by themselves, would not be able to do much without running into severe balance-of-payment constraints.

The French view reflected this. A member of that delegation said that France is ready to participate in a concerted action provided that the strong economies led the way.

When questioned about the West German ability to match its forecast, Mr. Schultze commented that "the fact that its objectives (set at the London summit meeting last May) were missed once doesn't mean it will fall again." He added that "what is different now from the London summit is that few other countries were in a position to respond even if Germany and Japan had met their goals. Now there is more room to move."

The U.S. view is that this growth scenario coupled with continued approval of the Carter administration's energy proposals would be sufficient to restore confidence in the dollar.

A senior official reiterated that Washington is not seeking to solve its current-account deficit by depreciating the dollar and said that "disorderly" conditions of the past weeks have again been met by "substantial intervention" was "discussed quite closely" with other central banks.

He denied that Washington was considering imposing foreign-exchange controls—measures rumored in foreign-exchange dealing rooms in Europe—said that the West German proposal that the United States borrow abroad to build up its defenses to support the dollar was deemed to be "undesirable" because it would be "ineffective."

The main objection is that such a foreign issue would have to be more attractive than existing domestic paper to sell and to that extent would be likely to divert foreign funds that would have gone into U.S. domestic paper anyway.

Further, funds already invested in the U.S. market could be cashed in to buy the foreign issue, putting additional pressure on the dollar in the exchange market and greatly reducing the "percentage of real effectiveness."

Japanese Industrial Activity Up, Economy May Be Gaining

TOKYO, Feb. 28 (AP)—Industrial activity in Japan showed a moderate rise in December and was in line with government projections, Japan reported today.

A separate government report also indicated that Japan's economy has begun to recover from a mid-1977 pause. Industrial activity in January rose 1.1 per cent from December and was up 2.5 per cent from a year earlier with the mining and manufacturing index at 119.3, the Ministry of International Trade and Industry said in a preliminary report. The index of producer shipments rose 0.8 per cent from the previous month and 1.6 per cent from a year earlier while the index of inventories was unchanged from the previous month but up 2.3 per cent from a year earlier. The index of producer inventories to shipments ratio thus was down 1.3 per

**Add Few Stocks to Holdings
Banks Move to Wall Street's Curbs**

NEW YORK, Feb. 28 (AP)—Bank trust departments practically neutralized themselves as a stock market force in the final quarter of 1977. They added less stock to their holdings than in any quarter since they were made to file trading reports with the Controller of the Currency in late 1974.

The banks did a hefty amount of buying and selling—\$4.4 billion of trades—but, when all the buying and selling was done, they were net buyers of only \$40 million of stock in the quarter ended Dec. 31.

In context, that was a tiny amount. In some quarters of 1976 and 1977, the banks were net buyers of as much as \$1.8 billion of stock. Even with the pronounced slowdown in net buying that started early last year, net purchases averaged more than \$600 million a quarter in the first nine months of 1977.

That buying level was far from robust but went a long way then in cushioning heavy net selling by mutual funds. But the banks were far from a stabilizing force in the latest quarter, when mutual funds were net sellers of \$671 million of stock.

The surprisingly sharp drop in bank purchases emerges from the latest compilation by Computer Directions Advisors Inc., Silver Spring, Md., of data gathered for its quarterly spectrum service. The banks' purchases to the controller have total stockholdings of \$122 billion. While many of the holdings are managed under the banks' investment discretion, the data also include trust accounts for which decisions are made by others.

Several observations can be made on the basis

of the Computer Directions breakdown of the banks fourth-quarter transactions:

• The heaviest net buying had defensive characteristics. Purchases exceeded sales by the largest amounts in telephone, electric and gas utility stock groups.

• American Telephone & Telegraph, the greatest interest. Bank trusts bought \$183 million more AT & T stock than they sold, figured at Dec. 31 prices. If AT & T were excluded, then the banks were net sellers of more than \$100 million of all other stocks.

• In addition to AT & T, the banks were net buyers of nearly \$100 million of electric and gas utilities and nearly \$14 million of combination system utilities. Morgan Guaranty Trust Co. moved heavily into utilities in terms of fourth-quarter purchases. Aside from telephone and utility stocks, the trust departments were net sellers of more than \$200 million of other stocks.

• Banks were net buyers of aircraft, oil and gas extraction, oil refining, paper, computer, railroad and book publishing stocks.

• Biggest net selling occurred in basic industry stocks. Most heavily sold in this sector were steel, clay and glass, chemical, soap, drug, tire and steel stocks. Other major groups on the sell side were department stores, beverage and photographic stocks.

By stock, the banks' largest net selling last quarter occurred in General Motors, Carbide and Carbon (involved in a tender offer), Cluett, Peabody, Du Pont, Schering-Plough, Eastman Kodak, International Business Machines, Alcoa Labs (involved in a tender offer), Merck, Philip Morris, Schlumberger, St. Paul Cos., Sperry Rand and NCR Corp.

Japan Vows to Curb Car Exports to Britain

TOKYO, Feb. 28 (Reuters)

As warnings were repeated today of a possible trade war against Japan, that nation promised to control car exports to Britain and a Japanese industry chief reportedly said Japan was ready to discuss restraints of steel exports to the United States.

Officials also announced that Japanese Premier Takeo Fukuda would meet President Carter in Washington May 3 for bilateral talks primarily concerning world economic recovery.

The meeting was proposed by Mr. Fukuda to further strengthen U.S.-Japan relations which had been strained prior to an agreement in January on trimming Japan's huge trade surplus with the United States.

However, an envoy from the Commerce Ministry told here today that Japan would find it hard to make any further, separate concessions to the EEC.

Danish Foreign Minister Knud Andersen, here for talks as chairman of the EEC's Council of Ministers, told Japanese External Economy Minister Nobuhiko Ushiba today that pressures were building within the Common Market for discriminatory trade measures against Japan, according to a Foreign Ministry spokesman.

Mr. Ushiba, who yesterday said the EEC could expect no special privileges from Japan, then told Mr. Andersen that while Japan wanted to do all it could to maintain good relations with the Common Market, his country would find it hard to make any further concessions.

Meanwhile, Japan did promise today to impose tighter measures to control car exports into Britain. (The Los Angeles Times reported yesterday that Mitsubishi

Nishida, executive vice-president of Honda Motor, said in an interview his company intends to "suppress" exports to the United States during 1978 to "avoid adding any irritant" to trade relations. Mr. Nishida was the first Japanese auto executive to declare publicly his company's intention to restrain exports to the United States.)

The International Trade and Industry Ministry said the measures, which it did not specify, involved increasing government guidance to Japanese carmakers to help maintain 1978 shipments at around last year's levels.

Ministry sources said the controls were designed to avoid further conflict with Britain on car exports and head off growing calls overseas for protectionism against Japan.

On yet another sticky world trade problem, Yasuhiro Abe, senior vice-president of Nippon Steel, said in a speech released here today that the Japanese steel industry is ready to discuss export restraints to the U.S. market with Washington.

Stock Prices Drop Broadly

NEW YORK, Feb. 28 (AP)—

Fresh indications of a weakening U.S. economy and the dollar's plunge to near record lows in Europe foreign exchange trading combined to drive stocks to a three-year low in active trading.

Also weighing down the market was a government report of a slowdown in productivity in the fourth quarter of last year, analysts said.

The Dow Jones Industrial Average was down 8.23 points to 742.12. It was down 6.38 at 3 p.m. The last time the index closed lower was on Feb. 28, 1975 when it finished the session at 739.05.

Some 1,020 issues declined with about 390 higher advancing. Volume totaled 19.75 million

shares, little changed from 19.99 million yesterday.

Prices began dropping from the opening amid concern about the 0.8 per cent rise in the urban consumer price index for January reported yesterday.

The decline broadened in the afternoon after the U.S. said its January index of leading economic indicators fell 1.9 per cent for the biggest drop in three years. The index was up 0.7 per cent in December.

Commerce Secretary Juanita Kreps said, however, the severe winter was responsible for part of the decline.

Prices finished sharply lower on the American Stock exchange in moderate trading with the Amex index down 0.49 to 123.85.

**Dollar Falls Sharply
Despite Action by Swiss**

LONDON, Feb. 28 (AP)—

The dollar plunged to a record low against the deutsche mark today and dropped very sharply against other currencies as it became apparent that Switzerland's reinforced exchange controls would do nothing to reverse the dollar's basic downturn.

The dollar fell 3.45 pfennigs, or 1.68 per cent, to 2,017.5 marks, a record end-of-day low. Dealers said trading volume was not very large but that there was no support for the U.S. currency.

In even thinner and more erratic trading, the dollar fell 5.35 centimes against the Swiss franc to 1,835.0. Later in New York, the dollar was quoted at 1,816.5 Swiss francs, or not very far from the record Thursday low of 1,780 set last Thursday before Switzerland announced the first of two series of measures to halt foreign purchases of Swiss francs.

In relative terms, the dollar's decline against the yen was mild. The rate fell to 232.40 yen from 239.25.

Several dealers insisted that the dollar's steep decline occurred on relatively small volume since many banks were unwilling to alter their currency positions at the end of the month.

Dealers said that if the New York Federal Reserve Bank intervened, it could not have been for significant amounts.

Moreover, reserve figures released by the Bundesbank suggested that the Federal Reserve's ability to keep supporting its currency may have become limited. The figures showed that the German central bank's reserves rose about 2.1 billion marks, or slightly more than \$1 billion, in the week ended last Thursday.

Since a large part of this increase, possibly more than half, represented drawings of the Fed on its swap line with the Bundesbank, dealers reasoned that perhaps more than two-thirds of the \$4-billion line has been exhausted.

In Zurich, dealers said that the Fed was both a buyer and seller of Swiss francs yesterday, indicating that the U.S. central bank was reluctant to make a substantial commitment toward supporting its currency.

In this connection, Fritz Leutwiler, president of the Swiss National Bank, said that he has sent an aide to the United States

to plead for measures that would support the dollar.

While the Swiss measures to curb capital inflows appear to be comprehensive, sources close to the Swiss National Bank say that foreign central banks can still purchase francs and hold them on deposit without penalty. However, it is understood that Swiss authorities are considering closing this loophole, perhaps later in the week.

In any case, the available evidence indicates that many of the small central banks outside the major industrial nations have been steadily buying Swiss francs because they consider the dollar to be no longer a safe store of value.

While sterling rose to \$194 from \$193.15, it fell against the deutsche mark to 3,914.0, the lowest level in recent months, from 3,953.4.

The dollar also fell sharply against the French franc, to 4.76 from 4.80. At the same time, the French currency fell to 0.4238 marks from 0.4275.

**Major Index
Drops by 1.9%**

WASHINGTON, Feb. 28 (Reuters)—The U.S. index of leading economic indicators fell 1.9 per cent in January for the biggest drop in three years, the Commerce Department said.

The drop compared with a 0.7-per cent rise in December and left the index at 132.8 per cent of its 1967 average, or 5.1 per cent above a year earlier.

The drop came after six consecutive months of increases and was the largest since the 3-per cent fall in January, 1976.

The department said that of the 10 index components available for January, eight fell, with the drop in the average workweek by 0.8 hours to 38.7 hours exerting the biggest downward influence.

The department said cold weather and heavy snowfall in January affected the workweek and building permits, which also fell, but the magnitude of the impact is unknown.

The department said its index of coincident indicators fell 0.3 per cent for January, eight fell, with the drop in the average workweek by 0.8 per cent in December and left the index 4.9 per cent ahead of a year earlier.

The index of lagging indicators rose 2.1 per cent in January to 135.3 per cent of its 1967 value. This compared with no change in the index for December and was the biggest jump since the 3.4 per cent rise in May, 1974.

The lagging indicators were 11.3 per cent ahead of a year earlier.

**Britain Panel Sees Doubt
Of a European Recovery**

By William Kucwicz

LONDON, Feb. 28 (AP)—Despite the stimulative efforts of major European nations, the United States and Japan, there is growing doubt whether European economies will recover from the current recession, at least in the sense of achieving a substantial reduction of unemployment levels, according to an independent British study published today.

While output prospects in the United States, Canada and Japan are still "reasonably favorable," demand in much of Western Europe is depressed, the report says. Protectionism in industrial countries, aimed at preserving jobs in declining manufacturing sectors, is tending to hold down the volume of world trade and inhibiting economic growth in non-developing countries, it adds.

Even new economic measures being advocated are small, constrained by the objectives of not increasing inflation or balance of payments deficits, and "it is difficult to envisage a pattern of successive recoveries, with the United States merely leading the others," says the respected National Institute of Economic and Social Research.

In its latest quarterly review of the world economy, it argues that "if recent indications that U.S. policy can be affected by external factors are confirmed, the warning in the prospect for general recovery, could have disturbing implications for the long-term relationship between imports and growth and for the whole international economic structure, as well as impairing trade prospects for 1978 and 1979. The present pattern cannot in any case be considered stable."

Trade Was Sluggish

World trade was "notably sluggish" in the second half of last year and probably increased by no more than 5 to 5.5 per cent in the whole of 1977, NIESR estimates. For 1978, the institute forecasts a rise of 5 to 5.5 per cent followed perhaps by some "marginal acceleration" next year.

Current account deficits on the balance of payments of most major industrial countries should be considerably smaller this year than last "more heavily concentrated" in the United States, the report says.

U.S. oil imports will not change much in 1978, while total imports could rise by about 4 per cent with little change in exports. Thus, the U.S. trade deficit may increase slightly in 1978 because of worse terms of trade and the current account deficit could also widen due to slower growth in invisible receipts, the institute says.

Recent Japanese measures taken to increase imports "seem unlikely to have much effect in 1978, but the volume of exports is unlikely to grow more than in 1977."

Its trade and current surpluses may therefore change little, but the target of reducing them seems difficult to meet, NIESR's study concludes.

West German trade this year is expected to grow only slowly in volume in 1978. "The trade surplus, however, is now expected to rise further, because of im-

**U.K. Economy
Seen Turning
Sluggish in '79**

LONDON, Feb. 28 (AP)—

Britain's economy will probably experience a brief and mild recovery this year followed by a return to sluggish growth and rising unemployment in 1979, the National Institute of Economic and Social Research forecasts.

In its latest quarterly review of the British economy, published today, the institute says that price inflation should decelerate until late in 1978 but it is then expected to begin to rise again, reaching 9.5 per cent in 1979.

The nation's "surplus" on current account is forecast to be about \$1.25 billion in 1978, up from an estimated \$100-million surplus last year, but the figure is not expected to increase any further next year, NIESR states. The independent institute uses a computer model of the economy similar to one used by the U.K. Treasury.

**Prices Slashed
On Swiss Stocks,
Bonds After Ban**

ZURICH, Feb. 28 (AP)—

Swiss stock prices plunged across the board in the steepest one-day decline ever and Swiss franc bond prices slumped badly in sharp reaction to the country's ban on foreign purchases of Swiss securities effective today.

Stock prices fell between 5 and 10 per cent in trading that was interrupted several times to restore order.

The Swiss Credit Bank index, based on 25 stocks, plunged 11.8 points to 260.0, a loss of 4.5 per cent, which, if applied to stocks listed on the Zurich exchange, represented a loss of 2.8 billion Swiss francs.

On the secondary market for Swiss franc bonds, domestic issues fell 2 per cent, prices of bonds of foreign borrowers slipped more sharply, and one dealer said that losses ranged to 6 per cent. Trading was hectic, but buyers were scarce and in the resulting thin market, prices headed downward.

Foreign purchases of new Swiss franc-denominated bonds and private placements by foreign borrowers are exempt from the ban. However, the Swiss Central Bank has decided that it will allow only a certain percentage of new paper to be sold to foreigners with the quota to be fixed by the end of this week, a spokesman said.

Field Drops Trust Suit

CHICAGO, Feb. 28 (Reuters).

Marshall Field said a U.S. District Court judge granted its motion to dismiss its anti-trust suit against Carter Hawley Hale Stores. Last week, Carter Hawley withdrew its offer to acquire Field for \$42 a share.

Company Reports

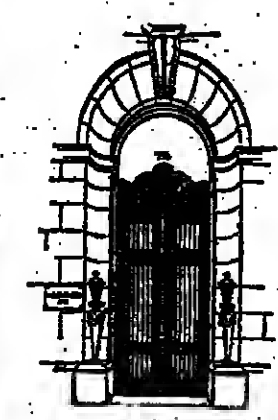
Revenue, Profits in Millions of Dollars

American Broadcasting Cos.	
Fourth Quarter	1977 1978
Revenue	499.80 531.20
Profits	34.80 24.40
Per Share	1.91 1.36
Year	
Revenue	1,610.00 1,940.00
Profits	109.80 71.70
Per Share	6.04 4.08

Warner-Lambert

Fourth Quarter	1977 1978
Revenue	694.40 613.50
Profits	35.40 20.10
Per Share	0.45 0.28
Year	
Revenue	2,540.00 2,350.00
Profits	197.60 153.80
Per Share	2.38 2.00

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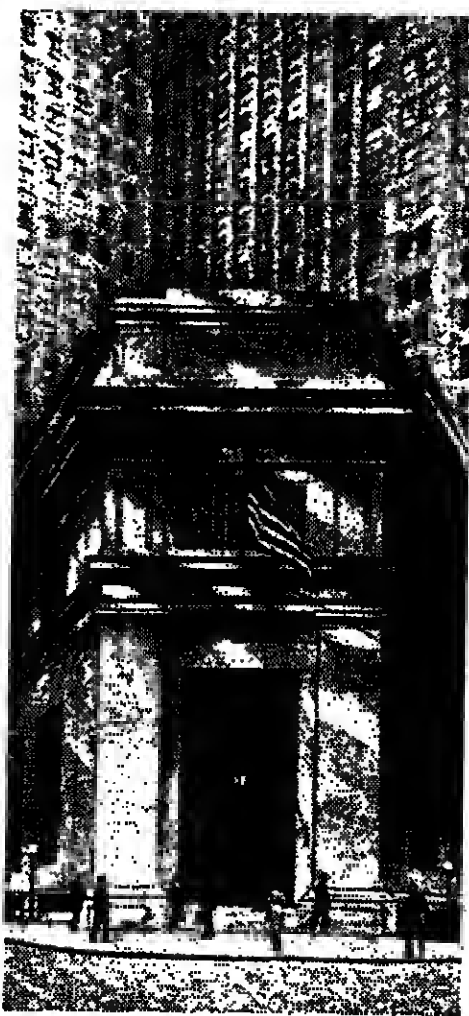
In Morgan Guaranty's new office in Rome are, from left, Stefano Balsano, assistant vice president; Philip Fisher, vice president and head of the Rome office; and Gaetano Vicinelli, vice president and general manager of the bank's operations in Italy.

Morgan Guaranty announces the opening of an international banking office in Rome

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4440 Bldg. Mont.	818%	18%	18%
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3000 Cts. Barb.	8 2/3%	23%	23%
10955 Dorn. Bridge	8 3/4%	8 3/4%	8 3/4%
10955 Dorn. Texaco	8 5/8%	8%	8%
2550 FICA Int.	8 1/4%	28%	28%
Int. Imasco	8 1/4%	31%	31%
10955 FICA Int.	8 1/4%	31%	31%
276550 Power Co.	8 1/4%	11%	11%
500 Price Co.	8 1/4%	11%	11%
2000 Rotland	8 1/4%	30%	30%
6700 Rys. Bank	8 1/4%	2 1/2%	2 1/2%
276 Rys. Bank	8 1/4%	2 1/2%	2 1/2%
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Stock	Sis.	Ch'ge Pray.	— 12 Month — Stock	Sis.	Ch'ge Pray.	— 12 Month — Stock	Sis.
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Stock	Sis.	Chrgs 3 p.m. Prev.	- 12 Month - Stock	Sis.	Chrgs 3 p.m. Prev.	- 12 Month - Stock	Sis.
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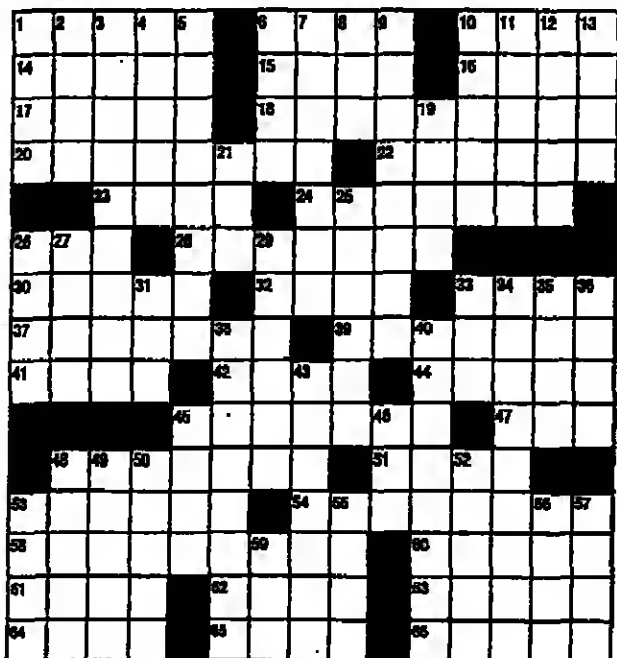
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 - form, or neut.
 - Comb. form
 - Appraise
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BANGKOK	19	Clear
BELGRADE	19	Clear
BELMONT	19	Clear
BOMBAY	19	Clear
BRAZILIA	19	Clear
BUDAPEST	19	Clear
CALCUTTA	19	Clear
COPENHAGEN	19	Clear
COSTA DEL SOL	19	Clear
DUBLIN	19	Clear
EDINBURGH	19	Clear
FLORENCE	19	Clear
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February 28, 1978

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1000 Shares	\$740.25	
1000 Shares	\$740.25	
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BANK OF NEW YORK & CO.		
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CAPITAL INTERNATIONAL B.A.		
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CREDIT SUISSE		
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DIT INVESTMENT FRANKFURT		
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FIDELITY (BERMUDA)		
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G.I. (BERMUDA) LIMITED		
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JARDINE FLEMING		
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LOYDS INT. MUX. CO. LTD.		
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1000 Shares	\$740.25	
1000 Shares	\$740.25	
PROPERTY GROUPS OVERSEAS LTD.		
1000 Shares	\$740.25	
1000 Shares	\$740.25	
1000 Shares	\$740.25	
1000 Shares	\$740.25	
SOPID GROUPS GENEVA		
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1000 Shares	\$740.25	
SWISS BANK CORP.		
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1000 Shares	\$740.25	
1000 Shares	\$740.25	
UNION BANK OF SWITZERLAND		
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1000 Shares	\$740.25	
1000 Shares	\$740.25	
UNION INVESTMENT FRANKFURT		
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1000 Shares	\$740.25	
1000 Shares	\$740.25	



BOOKS

THE ONLY INVESTMENT GUIDE YOU'LL EVER NEED

By Andrew Tobias. Harcourt Brace Jovanovich, 162 pp. Illustrated with tables and graphs, \$5.95.

Reviewed by Christopher Lehmann-Haupt

THERE comes a point in the reading of any financial guide when the mind collapses. This usually happens about the point when the book starts asking you if you've thought of options strategies. Suddenly your head won't take in any more. You realize you've already invested ten times your hypothetical savings, when in fact, because of the bills you still owe, there isn't ever going to be even one times your hypothetical savings.

Andrew Tobias, in his witty and succinct "The Only Investment Guide You'll Ever Need," has a pretty sound explanation for these sinking spells. The guide deals with strategies in commodities or options or gold are too narrow. They tell you how you might play a particular game, but not whether to be playing the game at all. The ones that are encyclopedic, with a chapter on everything, leave you pretty much where you were to begin with—trying to choose from a myriad of competing alternatives. It's all a matter of organizing your priorities, he believes. And the most basic priority is that before you can start making money through financial investment, you have to figure out how to stop losing money through simple squandering.

Who knows but that he isn't right? Certainly his program is clear enough. First I have to realize that for every additional \$100 I earn, the government takes \$25, \$35 or \$50, depending on my tax bracket. Whereas if I save \$100 by eating at home instead of at a fancy restaurant, for example, I get to keep the \$100 all for myself. So the first secret of saving is to spend less instead of earning more.

Then I begin to invest... in a savings account... because even though it's boring to watch your money grow at a predictable rate, and even though \$10,000 invested at 7 3/4 percent for a year is likely to grow to \$9,500 worth of buying power, what with taxes and inflation, still there are the contingencies to worry about. And besides, after reading Tobias, I know a couple of ways of getting higher interest than a straight savings account offers, and a couple of ways of getting that interest tax free.

And then, says Tobias: "You have some money in a savings bank; you have set up a Keogh plan or individual retirement account, if possible, and are contributing to it at the maximum rate allowed; you have equity in a home, if you want; you've tied up \$1,000 in bulk purchases of tuna fish and shaving cream; you have lowered your auto and homeowner's insurance premiums by increasing your 'deductibles'; you have adequate term life insurance; you've paid off all your 18-percent installment loans (and most of your 12-percent loans); there is a little Hi-Tech water heater sitting on your roof above your well-insulated attic; and you own enough AT & T (or some other stock common, or even preferred, stock) to take full advantage of the dividend tax exclusion. In short, you have done all the things that scream to be done." So now it is perhaps time to invest in the stock market, pro-

Best Sellers

The New York Times

This list is based on reports from more than 1,400 bookstores throughout the United States. Weeks are not necessarily consecutive.

Week	Last Week	Week on List
1. The Glimmerman, by J.R.R. Tolkien	1	23
2. The Thorn Birds, by Colleen McCullough	2	41
3. Bloodline, by Sidney Sheldon	3	3
4. The Thorn Birds, by Colleen McCullough	4	81
5. The Black Marble, by Joseph Wambaugh	5	9
6. The Thorn Birds, by Colleen McCullough	6	27
7. The Thorn Birds, by Colleen McCullough	7	10
8. The Thorn Birds, by Colleen McCullough	8	12
9. The Thorn Birds, by Colleen McCullough	9	14
10. The Thorn Birds, by Colleen McCullough	10	15
11. The Thorn Birds, by Colleen McCullough	11	16
12. The Thorn Birds, by Colleen McCullough	12	17
13. The Thorn Birds, by Colleen McCullough	13	18
14. The Thorn Birds, by Colleen McCullough	14	19
15. The Thorn Birds, by Colleen McCullough	15	20

BRIDGE

By Alan Truscott

On the diagramed deal, South found himself in a shaky contract of five hearts. He pushed optimistically for a slam, but after West showed length in the minor suits with a jump to two no-trump, North supported hearts, and East put on the pressure with a bid of five diamonds.

In team play, South would perhaps have settled for a small penalty in five diamonds doubled—only 100 points as it happens—but in a duplicate he decided to try for a big plus at some risk.

The opening diamond lead was won in the closed hand, and South was able to judge the exact distribution from the bidding. He assumed that West held five cards in each minor suit for his "unusual" jump, and as a singleton spade might well have been led in the hope of a ruff, 2-1-5-5 seemed likely.

A heart was led to the king, and the appearance of West's ten was a welcome sight. The heart ruff was finessed successfully, and West threw a club. The crucial moment had now arrived: Spades had to be developed without allowing East to gain the lead quickly.

The spade jack was led, and West covered with the queen. If he had ducked, South would have had to guess the position. As it was, the queen was allowed to win, and West had to make a

key play. He tried another diamond, but this was not the best. South ruffed in dummy and led a spade, removing East's ace. A club shift was won with the ace, and the last trump was drawn, after which the club loser could be discarded on dummy's last spade.

South's dummy-play was very well conceived, but he could have been defeated. After winning the spade queen, West could have continued that suit, allowing South to take the ace and beat the contract. Either by leading a trump to stop the diamond ruff or a club to break South's lines of communications.

NORTH		EAST	
♠ K754		♠ A10	
♥ K52		♥ J873	
♦ 86		♦ K1092	
♣ 10762		♣ 4	
WEST (D)		SOUTH	
♠ 10		♠ A10	
♥ 10		♥ J873	
♦ QJ973		♦ K1092	
♣ K1092		♣ 4	

North and South were vulnerable. The bidding:

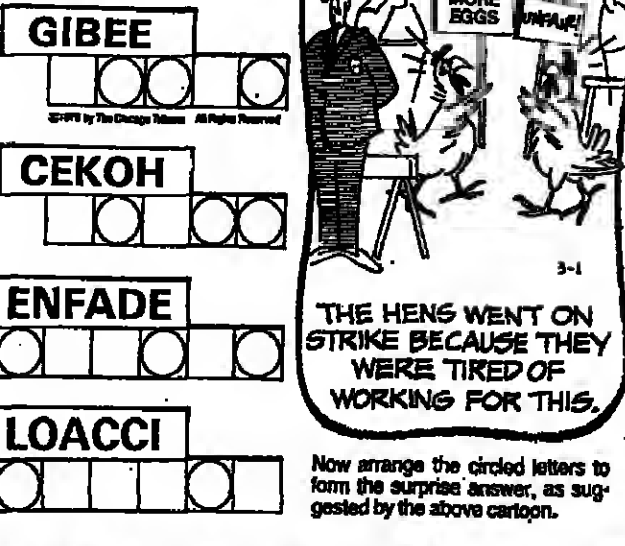
West	North	East	South
Pass	Pass	Pass	Pass
2NT	3	3	3
Pass	Pass	Pass	Pass

West led the diamond queen.

JUMBLE. THAT SCRAMBLED WORD GAME

by Henri Arnold and Bob Lee

Unscramble these four Jumbles. One letter to each square, to form four ordinary words.

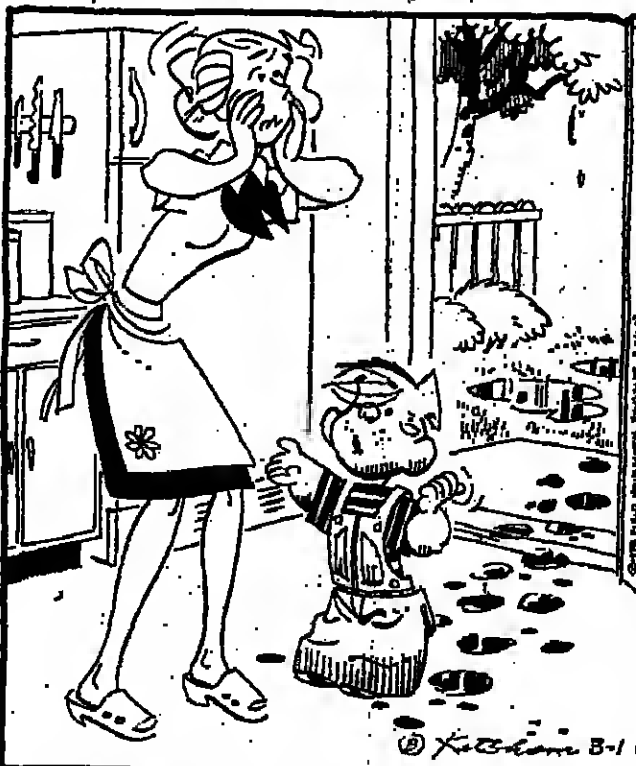


Answer here: "GIBBY, CEKOH, ENFADE, LOACCI"

(Answers tomorrow)

Yesterday's Jumbles: TRAIT QUAKE DEADLY FILLET
Answer: This indeed sounds like a weird lake—EERIE

DENNIS THE MENACE



"WOULDN'T YOU RATHER HAVE IT IN HERE WHERE YOU CAN GET AT IT THAN OUT THERE WHERE PEOPLE CAN TRACK IT IN?"

At House Hearing

NCAA Investigators
Accused of Bribery

By Gordon S. White Jr.

WASHINGTON, Feb. 28 (UPI).—National Collegiate Athletic Association investigators were charged yesterday with using bribery as a means of obtaining information about NCAA member colleges and one NCAA investigator was accused of calling off his dog after an athlete threatened a woman for the investigation.

These allegations were made by Sen. Clark, a former member of the NCAA enforcement staff of investigators, as the House subcommittee on oversight and investigations opened hearings into the operations of the governing body of intercollegiate sports.

Kentucky Leads
Basketball Poll

NEW YORK, Feb. 28 (UPI).—Kentucky has regained the No. 1 rating in college basketball with the support of 27 first-place votes from the UPI board of coaches.

With a 20-0 season record, Kentucky registered 561 points to replace Marquette at the top of the rankings. UCLA moved up a notch to second place with seven first-place votes, while Marquette dropped to third place with two first-place votes.

Arkansas remained in fourth place, but this week picked up some first-place backing as two coaches voted the Razorbacks first.

Kansas moved up a notch into fifth place, changing positions with New Mexico, which dropped to sixth. De Paul stayed in seventh place, North Carolina in eighth place, Michigan State in ninth place and Notre Dame moved into 10th place.

College Basketball

Midwest Valley Conference Playoff
Bradley 75, Wichita St. 71.
Drake 76, St. Illinois 67.
Indiana St. 90, West Texas 71.
New Mexico St. 70, Tulsa 76.
East Coast Conference Playoff
American 97, Boston 77.
Bucknell 88, West Chester St. 73.
Colgate 87, Rider 86.
St. Joseph's 80, Drexel 80.
CUNY Tournament Championship
CCNY 61, Brooklyn College 58.
East
Brandeis 60, Tufts 63.
Mass. 70, Boston Coll. 68.
Rice 71, Pittsburgh 69.
St. John's 84, St. Louis 82.
St. John's 80, Niagara 60.
St. Bonaventure 78, St. Francis 72.
Syracuse 100, Colgate 82.
South
Alabama 81, Florida 70.
Kentucky 78, Georgia 70.
Louisville 84, St. Louis 82.
Mississippi St. 83, Auburn 82.
Tennessee 80, Vanderbilt 66.

WHA Leaders

Team	GP	G	A	Pts
Canadiens	54	42	82	110
Pittsburgh	54	39	79	105
Montreal	54	38	78	102
Quebec	54	31	59	90
Winnipeg	54	31	58	82
Calgary	54	28	54	79
Edmonton	54	28	54	79
Los Angeles	54	28	54	79
San Jose	54	28	54	79
Vancouver	54	28	54	79
Phoenix	54	28	54	79

NHL Results

Monday's Games
Cleveland 3, Vancouver 3 (Hampton, Murphy, Miller, Martini 2, Watson).
Atlanta 5, NY Rangers 3 (Plett, Spalding, Clement, Boston, Mulhern; Gagny, Vickers, Murdoch).

NHL Leaders

Team	GP	G	A	Pts
Yokohama	54	38	82	100
Atlanta	54	37	81	99
San Jose	54	36	80	98
Los Angeles	54	35	79	97
Calgary	54	34	78	96
Edmonton	54	33	77	95
Phoenix	54	32	76	94
San Jose	54	31	75	93
Los Angeles	54	30	74	92
Calgary	54	29	73	91
Edmonton	54	28	72	90
Phoenix	54	27	71	89
San Jose	54	26	70	88
Los Angeles	54	25	69	87
Calgary	54	24	68	86
Edmonton	54	23	67	85
Phoenix	54	22	66	84
San Jose	54	21	65	83
Los Angeles	54	20	64	82
Calgary	54	19	63	81
Edmonton	54	18	62	80
Phoenix	54	17	61	79
San Jose	54	16	60	78
Los Angeles	54	15	59	77
Calgary	54	14	58	76
Edmonton	54	13	57	75
Phoenix	54	12	56	74
San Jose	54	11	55	73
Los Angeles	54	10	54	72
Calgary	54	9	53	71
Edmonton	54	8	52	70
Phoenix	54	7	51	69
San Jose	54	6	50	68
Los Angeles	54	5	49	67
Calgary	54	4	48	66
Edmonton	54	3	47	65
Phoenix	54	2	46	64
San Jose	54	1	45	63
Los Angeles	54	0	44	62
Calgary	54	0	43	61
Edmonton	54	0	42	60
Phoenix	54	0	41	59
San Jose	54	0	40	58
Los Angeles	54	0	39	57
Calgary	54	0	38	56
Edmonton	54	0	37	55
Phoenix	54	0	36	54
San Jose	54	0	35	53
Los Angeles	54	0	34	52
Calgary	54	0	33	51
Edmonton	54	0	32	50
Phoenix	54	0	31	49
San Jose	54	0	30	48
Los Angeles	54	0	29	47
Calgary	54	0	28	46
Edmonton	54	0	27	45
Phoenix	54	0	26	44
San Jose	54	0	25	43
Los Angeles	54	0	24	42
Calgary	54	0	23	41
Edmonton	54	0	22	40
Phoenix	54	0	21	39
San Jose	54	0	20	38
Los Angeles	54	0	19	37
Calgary	54	0	18	36
Edmonton	54	0	17	35
Phoenix	54	0	16	34
San Jose	54	0	15	33
Los Angeles	54	0	14	32
Calgary	54	0	13	31
Edmonton	54	0	12	30
Phoenix	54	0	11	29
San Jose	54	0	10	28
Los Angeles	54	0	9	27
Calgary	54	0	8	26
Edmonton	54	0	7	25
Phoenix	54	0	6	24
San Jose	54	0	5	23
Los Angeles	54	0	4	22
Calgary	54	0	3	21
Edmonton	54	0	2	20
Phoenix	54	0	1	19
San Jose	54	0	0	18
Los Angeles	54	0	0	17
Calgary	54	0	0	16
Edmonton	54	0	0	15
Phoenix	54	0	0	14
San Jose	54	0	0	13
Los Angeles	54	0	0	12
Calgary	54	0	0	11
Edmonton	54	0	0	10
Phoenix	54	0	0	9
San Jose	54	0	0	8
Los Angeles	54	0	0	7
Calgary	54	0	0	6
Edmonton	54	0	0	5
Phoenix	54	0	0	4
San Jose	54	0	0	3
Los Angeles	54	0	0	2
Calgary	54	0	0	1
Edmonton	54	0	0	0
Phoenix	54	0	0	0
San Jose	54	0	0	0
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Edmonton	54	0	0	0
Phoenix	54	0	0	0
San Jose	54	0	0	0

INTERNATIONAL
Herald Tribune

Published with The New York Times and The Washington Post

PARIS, MARCH, 1978

FOCUS ON AUSTRIA**Detente Is Vital for the Nation's Prosperity****State Plays Leading Role Among Neutral Countries**

By David Hermges

VIENNA (HTT)—If there is one feature that Austria wants established in international awareness it is the country's independence. Ever since the State Treaty of 1955, which marked the end of the postwar occupation and restored full sovereignty to the country, the Republic of Austria has been making herculean efforts to live down its more recent past without disavowing its (largely untarnished) imperial and royal history.

A new start was made in 1945, not only after seven years of Nazi annexation, but also following a total of 11 years of deprivation of representative democracy, which started with the self-liquidation of parliament in 1934 during the Dollfuss era. Even before the end of the war, Austria's democratic constitution was brought back into force.

The proclamation of the Second Republic was by no means a foregone conclusion. Under the terms of the 1943 Moscow Declaration, the wartime Allies spoke about the "liberation" of Austria as one of the first victims of Hitler's aggression. However, there were still enough voices in East and West, expressing the opinion that the only solution would be to form a Danube Federation, since the small Alpine country on its own was not a viable entity. This awakened memories of the situation after World War I, when State Chancellor Karl Renner was in favor of a union with Germany. The name "German-Austria" was actually adopted, only to be dropped later.

Now, years later, there is no doubt whatever that although Austria and Germany are neighboring countries, there is no political special relationship between them, nor does either side want one.

Neutrality

The Austrian Neutrality Act of October, 1955, specifically precludes the country's entry into any military alliance and has been assumed to prevent full Austrian membership in such a politically

oriented body as the European Economic Community. (On this, however, Austria, as a member of the European Free Trade Association, has found a fairly satisfactory solution in the form of a

This Section

This special report was prepared and written by Thomas C. Lucey with Darrell Delamalde, David Hermges, Alan Levy, Ernie Reed, David Stevens and Douglas Sutton.

The Austrian schilling has a current value of 14.50 to the dollar.

special arrangement with the Common Market abolishing nearly all customs tariffs while avoiding the other obligations of the Treaty of Rome which could be interpreted as infringing Article 4 of the State Treaty prohibiting any union with Germany.

Austria manages to remain ideologically fixed firmly to the Western camp—with no obligation on the individual citizen to be neutral in his views—while at the same time maintaining cordial links with the Soviet Union. The Soviet agreement to grant Austria its State Treaty during the frosty days of the cold war showed the way to a period of détente which has become more vital than ever to Austria's continued prosperity. And this despite the fact that the country's Chancellor Bruno Kreisky makes no bones in public about his brand of social democracy being absolutely the opposite of Communism.

This has not prevented Austria providing a venue for the first round of the SALT negotiations and for the ongoing Mutual Force Reduction Talks between the Warsaw Pact and the NATO countries. Nor does it hinder Vienna being used as a base for more than 200 foreign correspondents covering Central and Eastern European affairs.

Never has Europe experienced such a long period of peace as since the end of World War II. Never has republican Austria flourished so much as it does now—withstanding several crises in the continent, such as the inflation rate, the balance-of-payments deficit, the energy shortage and so on. The prime objective of successive Austrian governments—and they have all been monochrome Socialist ones since 1970—is to perpetuate this stability. Any rocking of the boat would be regarded as threatening the comfortable way of life of a population which hardly knows what poverty means and is cared for by social security from cradle to grave (at a phenomenal cost to the average taxpayer).

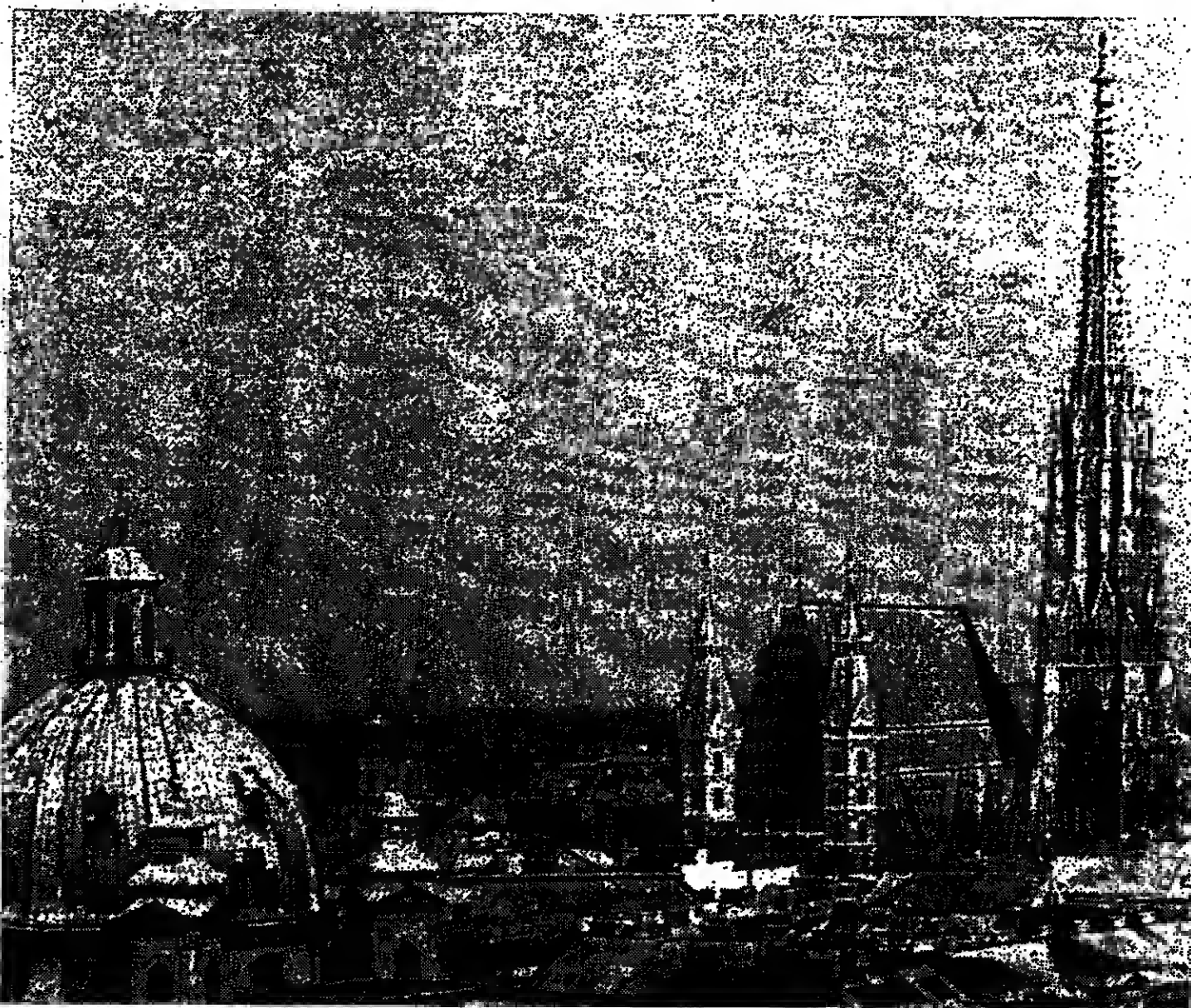
Parliament

And if one asks what credit can be given to parliament for this generally satisfactory state of affairs, the answer must be chosen cautiously. Ever since it was reconvened in 1945 parliament, acting in plenary, has tended to be a rubber-stamp operation for decisions that are taken beforehand, out of the public eye, in the various house committees. A good deal of public haranguing is also witnessed on the floor, it is true, but this can often be discounted chiefly as playing to the gallery when proceedings are being televised.

For almost all of its postwar life, the Austrian parliament has been in the safe hands either of a grand coalition with an overwhelming majority or—for the past seven years—of a small, but monolithically disciplined Socialist majority which is unassailable between elections under the existing system of proportional representation.

The fact is that in addition to the written constitution there is a de facto situation in Austria (not wholly covered by constitutional law) which must be taken

(Continued on Page 9.)



Medieval steeple of St. Stephen's Cathedral rises over the modern capital.

**Troubled Outlook
Major Economic Indicators Point to Declining Growth**

By Douglas Sutton

VIENNA (HTT)—A cartoon in a recent issue of a local newspaper summed up the Austrian economic outlook for 1978: Chancellor Bruno Kreisky is shown trying to coax the economy—symbolized by a piggy bank—to jump through a ring of fire. No one in this country is pulling the panic button—yet there is no doubt the Austrians are worried about their economic future. After making strong recovery in 1976 from the 75 recession, the Austrian economy steadily slowed down as 1977 went on.

By the end of last year, all the major economic indicators pointed to declining growth rates and a outlook for 1978 spelled more trouble. A recent report by the Austrian Institute for Economic Research (WIFO) predicted a 1.5 per cent growth this year, only 0.5 per cent compared to 3.5 last year and a 5.2 increase in the 1976-77 period. In addition, unemployment is predicted to increase in 1978, the Austria can still expect sizeable deficits in its balance of payments and foreign trade.

Acrid Debate

The economic slowdown has sparked something acrid debate between Chancellor Kreisky's Socialist party government and the opposition Austrian People's party, led in by representatives of industry, banking and the unions. While no consensus has emerged to the country's future economic policies, there is at least general view about what has happened in the past. "For the past few years," Helmut Kramer, deputy director of IFO said, "Austrians have been living beyond their means." Statistical evidence pretty much supports this view. The government's policy of maintaining full employment (during the 1975-77 period unemployment was held to 3.2 per cent), expanding economic activity, and supporting a

benevolent social welfare program, has been costly. The total federal debt in 1970 was \$1.75 billion; seven years later, it had more than quintupled, reaching about \$10.1 billion.

A recent report by the Organization for Economic Cooperation and Development (OECD) suggested that Austria has managed its public debt better than many other Western countries. But this country is nevertheless worried about the increasing debt level, because it allows less room for fiscal measures which may later be needed to manage the economy.

Deficits

Along with the rise in federal deficits, Austria's current accounts have also been in the red. (Current accounts include balance of trade plus revenues from other sectors.) In 1976, the deficit was \$300 million; the next year the current account deficit totaled \$1.5 billion, while last year the deficit was an estimated \$2.76 billion, or nearly 5 per cent of the GNP.

Austria's economic woes have been further exacerbated by steadily rising foreign trade deficits, which last year hit a record \$4.4 billion, an increase of 35.4 per cent over the 1976 trade deficit.

Negative trade balances are nothing new for Austria; but in contrast to previous years, revenues from the services sector and the tourist industry are no longer coming close to equalizing the trade deficits. The Austrian government's view about the reasons for the country's current economic and foreign trade problems was summed up in an interview by Minister of Trade, Commerce and Industry Josef Starbacher: "The worsening of our economy is almost totally influenced by the worsening of the economies in Western Europe."

The OECD report generally

backs up this view. It said that a major reason for Austria's rising trade deficits is that Austrian demand for import goods has been increasing at a faster rate than the demand of other nations, particularly West Germany, for Austrian exports.

Moreover, because the schilling is closely pegged to the value of the deutsche mark, Austria's currency has gained against other Western currencies, making it

costly for Austria to import but also a lot harder to export.

The problems in foreign trade have underscored structural weaknesses in the economy. Mr. Kramer of WIFO explained that "so long as neighboring economies were expanding, Austrian producers found their export opportunities while being relatively unscathed in domestic markets. But when foreign firms came under pressure to export more, they

were able to succeed against Austrian firms both here and in foreign markets."

Cost-effectiveness and productivity are areas which are also beginning to worry Austrian firms. WIFO statistics showed that productivity in the third quarter of 1977 had increased just 1.2 per cent over that of the same period in 1976, but that total wages paid were up 10.5 per cent and unit labor costs were up 10.2 per cent.

Indeed, efforts are already being made in Austria's nationalized industries, which account for about 18 per cent of industrial employment and 25 per cent of output, to rationalize their production. Particularly the steel firm, Voest-Alpine AG, with estimated losses of up to \$48 million last year, has had to take

(Continued on Page 4.)

Chancellor Bruno Kreisky: 'Eurocommunism? It Doesn't Exist!'

By Thomas C. Lucey

VIENNA (HTT)—East-West relations, an unusual compilation for Egyptian President Anwar Sadat and why Austria could get into auto production, use and other topics are covered in an interview with Chancellor Bruno Kreisky by Thomas Lucey of The International Herald Tribune.

HTT—You are very active in international affairs, not only in Europe but also in the Middle East. Chancellor Kreisky, what is your country's view of the world, its foreign policy, and what you expect to be the emphasis for 1978?

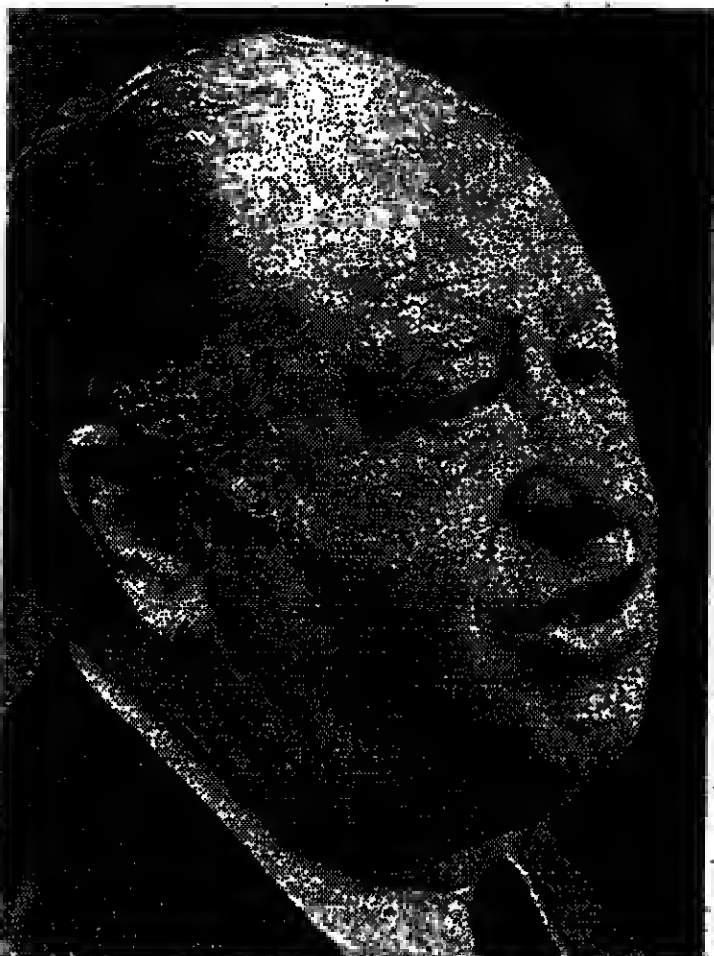
Kreisky—Austria's foreign policy is that of a neutral country. It is a kind of all-directional policy towards continuing détente. It is completely neutral for a country that does not belong to any bloc system. Such a policy is necessary for neutral countries, we were very concerned about it in Helsinki and again in Belgrade.

Second, where we are situated, the middle of Europe, makes necessary to have a policy of maintaining our relations with the East European states.

Q—What is normalizing relations?

A—Normalizing, that means psychologically that the West has maximum of trust in us, and the East, a minimum of mistrust.

The next important matter in foreign relations is European cooperation. As a neutral state, we are only participating in a limited way in European cooperation, but naturally we are interested in it. There is European cooperation between us and the EEC, on the



... that the West has a maximum of trust in us, and ... the East a minimum of distrust.

—Chancellor Kreisky.

Associated Press.

These are the major points of our foreign policy.

Q—Concerning the Middle East, do you think Israel would agree to a Palestinian state on the West Bank?

A—In international politics all things are possible. I can't picture

a permanent peace in the Middle East when Israel does not return the occupied territories and unless the Palestinians have the right of self-determination. Of course, there is a precondition—the existence of the state of Israel.

Q—Recognized by all the Arab nations?

A—All the Arab nations—or at least the important ones. Primarily, Israel's neighbors. I don't consider the Palestinians real enemies of Israel. If a Palestinian state were to be set up next to Israel, I believe it would be a guarantee, a chance for peace, because these two states would have a need for a large measure of cooperation.

Q—You have known President Sadat for a number of years. Was his decision to undertake his peace initiative, to go to Jerusalem personally, something he had planned for some time or was it an impulsive move?

A—Basically, Sadat had considered it for a long time. He wanted to talk with the Israelis, as he indicated to me a year ago. But the direct action, that was spontaneous, although the idea had been deeply fixed within him. Those are signs of strength—spontaneity and intuition. Great political leaders have always had a tendency to spontaneity. Winston Churchill, for example. Not spontaneous in the petty details of daily political matters, of course, but spontaneous in big things, spontaneous from within.

One thing is certain after Sadat's action. The Israeli people know today they can have peace, but in any case, not on their terms, but on terms considered by the whole world as right.

The situation needs a quiet intermission.

If there were to be an agreement between Israel and Egypt on the terms of peace, then many of the Arab nations, the important ones, would more or less accept that solution.

Q—As a young Socialist before World War II, you were opposed to Communism. In this era of Eurocommunism?

A—Eurocommunism? It doesn't exist! There are Communist parties that do what all parties do. They ask themselves how do we get stronger. For them to be stronger—to attract more voters—they must show they are independent from the power center of Communism. From Moscow, they must show that they want to rule in a democratic way and they must show they are no longer revolutionary.

But if they want to in this direction, people would leave them and the numerically weaker parties would band to terrorism.

As all this indicates, we are dealing with a new political phenomenon. But Eurocommunism, that doesn't exist. One thing is certain, there is a certain nationalization of the CPs, a certain process of getting away from (Moscow), an ongoing process that could go further.

But they must definitely acknowledge the democratic system. If they honestly meant it, in the daily practice, an interesting reform process could be introduced. They certainly have to end the revolutionary ideology.

If the Communist parties do all these things, we could ask if they are still Communists. They would not be, in the usual sense of the word.

Q—One might think that the



Finance Minister's Primary Goal Is to Ensure High Employment

By Darrell Delamaide

VIENNA (IHT).—Maintaining high employment, dampening import consumption while spurring domestic investment, continuing a flexible foreign exchange policy—these are the leit-motifs of Austrian economic policy as described by Hannes Androsch, vice-chancellor, and finance minister, in a wide-ranging interview with the International Herald Tribune.

The 39-year-old minister, who has been responsible for the country's finances almost eight years already, is not too discouraged that Austria's above-average growth rate seems to be slowing down.

"The greatest possible growth isn't the primary goal of our economic policy in these times of a weak and problem-ridden world economy," Androsch said. "Our primary goal is to ensure high employment."

The country's faster growth in recent years represented in part a catching-up process, Androsch said.

And so, even though most projections put Austrian real growth this year at a probable 1.5 per cent, down from 3.5 per cent last year and 5.3 per cent in 1976, Androsch likes to lay greater stress on the relatively low unemployment rate.

"I don't think our chances are bad at all of going beyond last December's prognosis in a positive direction—I mean a lower inflation rate and somewhat stronger growth. And," he adds, "not such an increase in unemployment."

Inflation Rate

The Austrian Institute for Economic Research projected that consumer price inflation would sink to 4.5 per cent in 1978, from about 5.5 per cent last year. Unemployment, however, was expected to increase to 2.5 per cent from 1.8 per cent.

Androsch pointed out in the interview that the inflation rate was down to 4 per cent by the end of 1977 and may dip below the 4-per-cent level in the first quarter of this year.

In a speech before parliament in mid-January, the finance minister recalled that while average unemployment in the seventies has been 1.6 per cent, the jobless rate averaged 2.6 per cent in the sixties and 6 per cent in the fifties.

That speech introduced the 10-year structural investment program which has the federal government spending 577 billion schillings (about \$38.5 billion) to create 130,000 new jobs.

Androsch told the International Herald Tribune that this program to stimulate investment is the counterweight to restrictive measures announced last October, including the 30 per cent value-added tax on "luxury" goods like autos, cameras, furs and jewelry. Together, the measures should redirect funds from consumption of imported goods to job-creating investment in domestic production, he said.

The luxury tax itself acts like a selective "devaluation," Androsch said. "For the goods it affects, it is like a devaluation without the bad effect of a devaluation." Dampening import demand by an actual currency devaluation would have the



Hannes Androsch, Finance Minister

had effect of quickening inflation, he noted.

Androsch explained that the VAT boost was made primarily to reduce the country's foreign trade deficit, which hit 88 billion schillings (about \$4.5 billion) last year. The prognosis for this year foresees

a deficit of 62 billion schillings (about \$4.1 billion) on the trade account. "Frankly, I think it will be lower," Androsch commented.

Another measure in the October packet was the reduction in the federal contribution to social security, offset in part by hikes in

the payments of employers and employees.

Androsch said this move is designed to help the federal government reduce its new debt this year to 24 billion schillings (about \$1.6 billion) from about 31 billion schillings (about \$2 billion) last year.

The Socialist politician would not agree, however, that the sharp hike in buying power from the October measures marked a real setback in Austria's standard of living.

"Rather than call it belt-tightening, I'd say it's more a question of just not loosening your belt a couple of more notches this year," Androsch said. He added that much of the public seems to have accepted the measures with "understanding, if not exactly enthusiasm."

Androsch is quick to point out that improvement of the Austrian trade balance depends on the economic situation in the rest of the world, and most particularly in the country's giant neighbor, West Germany.

"I would be quite happy if Germany reaches the 3.5-per-cent growth rate it's aiming for this year," the Austrian official said. "But I'm not sure it will. It will probably be a little stronger than last year's 2.5 per cent, but unless some impulse is forthcoming, I wonder if the growth will reach its target."

No One-Way Street

The finance minister emphasized that his country would

like to improve its deficit position with its major trading partner. "I have tried to make it clear to them," he said, "that it cannot be a one-way street in such an important matter."

Androsch estimated that Austria supports the German economy with its deficit to the tune of about 130,000 jobs.

He noted that a traditional compensation for the trade imbalance between the two countries—indeed, a major offsetting factor for the overall trade deficit—is the huge influx of German tourists. While winter tourism has continued to grow, Androsch noted, summer tourism has fallen off.

West Germany, of course, isn't the only influence on Austria's trade and payments situation. Androsch cited among other factors the "insupportably high" Japanese surpluses as responsible for world trade imbalances which affect Austria. "The Japanese run high surpluses and at the same time close their own market to a great extent—that is neither free trade nor fair trade," the Austrian minister commented.

But the European Economic Community is protectionist as well, Androsch said. "Overnight, you can have quotas or restrictions, or even bans, on products like paper or specialty steel," he said.

Of course, a major factor in Austria's competitiveness on world markets, along with the trend of wage settlements, has been its hard currency policy, generally interpreted to mean the link of the schilling to the deutsche mark.

"Our foreign exchange policy has always been flexible," commented Androsch in response to a question about how firm the schilling-mark link is. "Since the beginning of the seventies we have been among the three or four strongest currencies. We have appreciated especially against the pound, the dollar and the lira. But we have depreciated against the Swiss franc and deutsche mark."

He emphasized that the Austrian currency has not matched the West German unit step for step. "We're always just a little behind the deutsche mark," he said. When it goes up we go up part of the way with it, and we've never kept up with the Swiss franc on its high flights. Androsch said Austria would maintain a flexible policy. The future movement of the schilling would depend on the performance of other currencies, particularly the dollar and mark. "The deutsche mark has been the leader in Europe, but the pound, for instance, has a chance to play a stronger role now," he commented.

—D. D.

An Interview With an Outspoken Critic

VIENNA (IHT).—One of the more outspoken critics of government economic decisions is Rudolf Sallinger, the 61-year-old president of the Federal Economic Chamber of Austria, which represents all private and public enterprises from the country's nine provinces.

Mr. Sallinger, an architect by training and stone mason by trade, is an active businessman (since 1943 he has headed his own stone masonry firm) and politician (various posts in the opposition Austrian People's Party, including at present a seat in the national parliament).

Since 1964, Mr. Sallinger has been president of the 250,000-member Federal Economic Chamber. In an interview with the International Herald Tribune, Mr. Sallinger gave his views about what is wrong with Austria's current economic situation.

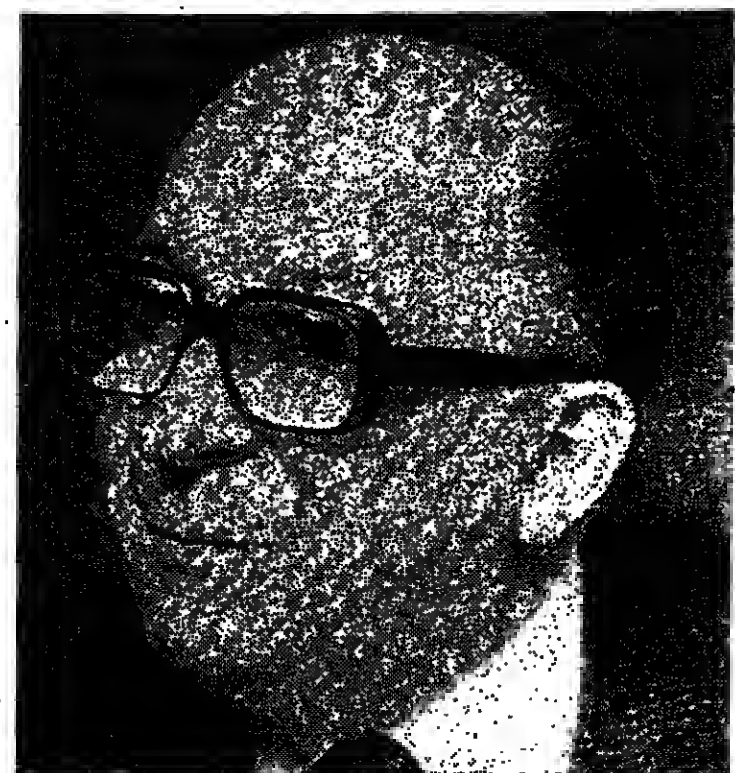
IHT: A recent study by the Organization for Economic Cooperation and Development seems to show that Austria's present economic difficulties are not just the result of domestic economic policy, but rather are a reflection of the economic problems in other OECD countries, and particularly Austria's main trading partners. Is this your view also?

Sallinger: Undoubtedly the problems of Austria's economy can, at least in part, be traced to international causes. Problems in the economies of our trading partners certainly are not without their repercussions on a country, which is so export-oriented as ours.

Nonetheless, the government's economic policies must also share the blame, because they have reduced the competitiveness of our economy and worsened the investment climate. In order to make the necessary structural adjustments, the economy needs innovation, which in turn depends on high-risk investments. But the new tax measures have resulted in reducing the firms' capital... which could be used for risk investments.

Q—You recently described the government's trade policies as following a zigzag course. What did you mean by that?

A—In the past, the Austrian government tended to take into consideration only the interests of Austrian consumers, while



Rudolf Sallinger

playing down the basic principle of trade policy, namely, that of reciprocity.

Now the government is speaking about an "administrative trade policy," an expression which is certainly not precise.

Q—What is your view on the raising of the value-added tax from 18 to 30 per cent?

A—We were against raising the value-added tax because Austria's economy is already overburdened with taxes.

Q—Does the higher VAT indicate a trend toward protectionism in Austria's trade policies?

A—No, I wouldn't describe it as protectionist, because it also applies to domestically produced goods.

Q—Isn't the higher VAT necessary to try to reduce Austria's foreign trade deficit?

A—What is primarily needed is to reduce the deficit in the federal budget, as well as a very restrained wage policy. Then the trade deficit can be reduced. The promotion of exports must be

seen in the context of a comprehensive economic policy (which) maintains and improves the competitiveness of our firms.

Q—Has the "hard currency" policy of closely aligning the schilling's value with the deutsche mark hurt the competitiveness of Austrian firms?

A—Fundamentally speaking, the entire economy is in favor of the hard-currency policy and certainly not for a devaluation of the schilling. But the hard-currency policy does not mean that the rate of the schilling should be tied exclusively to the deutsche mark, even if West Germany is Austria's most important trade partner... the currency situation is strongly determined by the balance of payments; the situation of the two countries is different in that Austria has a large deficit while the FRG has a large surplus as well as a lower rate of inflation.

The hard-currency policy has led to a situation whereby market shares here in Austria have been lost because imports have been made cheaper. The hard-currency

policy should not, however, made an instrument in fighting inflation and (it) is only successful when accompanied by more moderate wage policy.

Q—What in your view are other factors hurting industry present?

A—The government measures which are to fight the negative trade balance and the deficit of the federal budget, affect companies directly and indirectly (aside from) the 30-per-cent VAT, the rules on tax deductions for used company vehicles well on the tax deductions on reserves which firms have aside for severance pay and pensions have been made strict. Also, payments to the social security fund have been increased for the employers... and planning next July 1, (the government) plans to impose a tax trucks which will hurt the trucking industry and, therefore, a foreign trade.

Q—What is your opinion of the 10-year investment program 577 billion schillings (about \$38 billion) recently announced by the government?

A—This program is nothing more than an adding-up of investments of the federal government for 1977-1986, in which it simply started from the investments of 1977 and added year increases of 5 per cent. What this means is that: portion of federal investments overall investments of the economy will actually shrink, because total investments over the 10 years must rise at a high rate. Further, the government's investment program doesn't point any priorities; it simply carries forth the structure of 1977.

Q—What are the structural weaknesses in the Austrian economy which need adjusting?

A—In a market economy, there is a constant change in structure going on. The individual companies themselves know what changes they have to make with regard to demand. The task of economic policy is, of course, at least not to hinder the structural adjustments enterprises.

Internationally, the demand for the construction of industry in the developing countries Austria will certainly have bet success if its economy strongly increases (industrial) specialization.

—D. S.

UN City: Quiet Diplomatic Tangle

VIENNA (IHT).—With the completion of the \$700-million United Nations complex called UN City this year, the city of Vienna will have made another step to re-establish its historical role as an international center.

What worries the Austrians, however, is whether their effort to join New York and Geneva as a UN center will be rewarded by a smooth transition of UN bodies to Vienna.

In the past few years, Austria and its capital have been involved in a quiet diplomatic tangle with the UN about which agencies should move into the UN City and when.

A recent UN resolution seems to have set some sort of timetable for transfers to Vienna. It is now clear that at least through the early 1980s, up to one-third of the local UN City will be empty.

Thomas Klestil, an Austrian representative to the United Nations, played down past squabbles with the UN and particularly with the city of Geneva, which had been seen as zealously guarding the various UN agencies located there.

Not a Threat

"I think we have put aside their fears about losing so many people so suddenly," Mr. Klestil said. "We have tried to convince Geneva that Vienna is not a threat."

After completion, the UN City, a modern complex of six Y-shaped buildings, a circular in-

ternational Conference Center and several other facilities, located a few miles across the Danube river from downtown Vienna, will be turned over to the UN for the price of one schilling (about 6.5 U.S. cents).

The first move will be in the summer of 1979 by two agencies already located in Vienna: the International Atomic Energy Agency (IAEA) and the United Nations Industrial Development Organization (UNIDO).

Their combined staffs will occupy about 2,500 offices, leaving more than 3,000 offices in the UN City still vacant.

Through 1985, the two organizations are expected to occupy an additional 1,000 offices due to staff increases, while in the 1979-85 period 100 UN officials—50 from Geneva and 50 from New York—will move to Vienna, each year.

The Austrians were taken somewhat by surprise by the reluctance of some UN bodies to come to Vienna, and with some justification. In the late Sixties, when Austria proposed building the UN City, the UN requested office space for 7,000 persons. The Austrian government took a more realistic view of the UN growth rate and convinced the UN that 4,700 offices should be sufficient.

It is probably better for both Vienna and the UN that the move of UN personnel to Vienna will be gradual. A recent report by a UN study group noted that improvements in Vienna's services

are still a number of years away. Aside from stating that Vienna is the sixth most expensive city in the world, the report cited problems which the staffs of IAEA and UNIDO have had in finding suitable housing.

Other problems mentioned in the report concerned schooling, noting tentative plans to open an international school in 1979, and transportation. The collapse of the old Reichsbank in the summer of 1976 has complicated traffic connections across the Danube, and the new bridge as well as subway connections to the UN City will not be operational until at least 1981.

Correcting Cliches

Somewhat defensive about the problems noted in the report, Vienna is beginning a program to improve services for the international community. When International, the organization responsible for helping foreigners settling in Vienna, recently announced a campaign to correct some of the clichés foreigners have about Vienna and its inhabitants.

Problems with the UN City aside, Vienna can claim some success in attracting foreign interests. The Organization of Petroleum Exporting Countries (OPEC), for example, has had its headquarters in Vienna since 1965. Last year, it moved its staff of about 100 persons into its own new office building in Vienna's second district.

—D.S.

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مركز اعمار



The Gains Made in Exports Are Outweighed by Imports

VIENNA (IHT)—The development in Austria's foreign trade the past few years is something of a good news-bad news story. The good news is that the country's export industry is showing steadily rising sales abroad; the bad news—and of overriding importance—is that imports have far outweighed the gains made by the export industry.

Official statistics for 1977 show that Austria's exports increased by 5.4 per cent over those of 1976 for a total value of about 18 billion, but imports jumped 14 per cent to \$14.2 billion. The resulting trade deficit of about \$4 billion was an increase of 35.4 per cent above the 1976 deficit.

Limiting Imports

The Austrian government, side from hoping that the economies of Austria's neighbors, particularly West Germany, will get moving again, is beginning to take a cautious policy of limiting imports.

Last November Austria partially rescinded previously granted favorable tariffs on imports from countries not belonging to the European Free Trade Association (EFTA) or the European Economic Community (EEC). It also introduced trade restrictions for 1978 on imports of certain luxury goods, particularly automobiles and stereo equipment, was raised on 18 to 30 per cent effective in 1978.

According to the Minister of Trade, Commerce and Industry, Josef Stambacher, to try to improve the country's trade balance not a trend toward protectionism.

On the export side, the competitiveness of Austrian goods in foreign markets is an area which the Austrians are most worried about. Two factors have combined to make Austrian goods difficult to sell abroad:

• Because the schilling was from 1973 until recently closely pegged to the value of the deutsche mark, the Austrian currency has been, in effect, revalued against other Western currencies. A recent report by the Federation of Austrian Industrialists, for example, said the schilling aimed 7.8 per cent against the U.S. dollar in 1977, 10.6 per cent against the French franc, 11.2 per cent against the pound and 13.8 per cent against the lira.

Austria's National Bank not long ago began a gradual devaluing of the schilling's value with number of other currencies. But

the deutsche mark remains the dominant orientation for the schilling.

Trade Minister Stambacher predicts there will be no—nor should there be—devaluation of the schilling this year, but added that there will be one important deviation from the hard-currency policy of the past. If the deutsche mark should start

to make sudden steep gains, "the schilling will not go along."

• The second factor hurting Austria's export competitiveness, according to recent reports by WIFO and the Organization for Economic Cooperation and Development (OECD), is that Austrian exports have become more expensive than foreign industrial products. Meanwhile, import prod-

ucts have become cheaper than Austrian-made industrial goods.

The increases in the values of the schilling and of prices for Austrian products and the declining rate of industrial expansion by Austria's trading partners have combined to put Austria's export industry in an increasingly difficult position.

Conversely, the increased buy-

ing power of the schilling and the considerable rate of capital investments in Austria in 1976 and early 1977, coupled with lower prices for import goods, have helped stimulate the Austrians' appetites for foreign-made industrial and consumer products.

The fortunes of Austria's foreign trade are pretty much determined by the European Eco-

nomie Community, particularly West Germany. Since 1972, Austria has had free-trade agreements with the EEC and the European Community for Coal and Steel Union calling for step-by-step reductions in import tariffs on a wide range of products.

Those agreements were further augmented last July 1 by the termination of all remaining

tariffs except for those on certain sensitive products, such as paper, special steels and agricultural items.

Austria is not complaining about its trade with the EEC, but it wants to reduce its deficit. Last year, Austrian exports to the EEC increased by 12.9 per cent, for a total value of about \$4.9 billion, accounting for nearly half of total exports.

But imports from the EEC rose 17.5 per cent to \$9.2 billion, accounting for more than 60 per cent of Austria's total imports. Of the resulting trade deficit of \$4.3 billion, the trade deficit with West Germany accounted for about three quarters.

Some Austrians believe the free trade agreements may have helped the EEC countries more than they helped Austria. As Helmut Kramer, deputy director of WIFO pointed out, "Austria started out (before the agreements) with higher import tariffs than the EEC countries. So as the tariffs were reduced, and then dropped to zero, the export industry of the EEC benefited relatively more than ours."

The reduction in tariffs also may have helped the EEC because they primarily affected finished manufactures, for which Austria is more dependent on the EEC than the EEC is on Austria.

There are three main problem areas in Austria's trade with the EEC: agricultural products, sensitive goods and steel.

In agriculture, Austria showed a trade deficit of about \$300 million last year, following a deficit in 1976 of about \$250 million.

Hurting Austria's agricultural trade with the EEC the most are EEC import restrictions on cattle. Agricultural Minister Guenter Haiden recently pointed out that in 1973, the first full year of the Austria-EEC free-trade agreement, Austrian cattle exports were 76,000 head. Last year, Austria was allowed to export just over 14,000 head.

Some progress is being made in the two other problem areas, steel and sensitive products. Negotiations are continuing between EFTA and the European Coal and Steel Community. The latter's basic prices formula on steel products are a major problem for Austria's steel industry, which is dominated by the state-owned Voest-Alpine and its subsidiary, the Vereinigte Edelmetallwerke (VEW).

New tariff reductions on certain sensitive products as special steels and paper and paper products went into effect Jan. 1. It is too early to tell what effect they will have on Austria-EEC trade.

The increase in Austria's trade with the EEC came mostly at the expense of its trade elsewhere. Exports to the other EFTA countries declined in 1977 by 1.2 per cent while imports increased by 8.2 per cent, resulting in an Austrian deficit of just under a quarter of a million dollars.

Meanwhile, trade with the Communist countries in Eastern Europe and the oil-producing nations in the Middle East continued to show slow but steady growth.

—D.S.

Losing Ground to the West in Trade With East Europe

VIENNA (IHT)—If there is one area in the foreign trade relations for which Austria can claim a pioneering role, it is in commercial relations with the Communist countries of Eastern Europe.

Austria's geographical position, political neutrality and its traditional commercial importance to Eastern Europe gave the country a head start during the Cold War era in building trade ties with Eastern Europe counterpart to the European Community—the Council for Mutual Economic Assistance (CMEA), or Comecon.

During the fifties and even up through the early sixties, Austria served as a kind of back door in East-West trade. Communist-made goods trickled into Western markets through Austria. Many Western firms called on Austrian expertise in making their first efforts to sell to Eastern Europe.

Losing Ground

But the situation has changed. In the years before, but especially just after, the beginning of political détente, trade between Western nations and Comecon showed a strong upward swing. In the process, Austrian companies began to lose ground in East-West trade to the multinationals and large concerns in Western Europe, the United States and Japan.

Austria still shows a surplus in its overall trade with the East, but the surplus has been diminishing. In 1976, the Austrian surplus came to nearly \$200 million.

In 1977, Austrian exports to Eastern Europe increased by just 1.7 per cent, while imports went up by 5.5 per cent, resulting in an Austrian surplus of just more than \$180 million. Moreover, a recent study by the Institute for International Comparative Economics predicted that instead of running surpluses, Austria may have deficits in trade with Comecon exceeding \$180 million by 1980.

One reason for this pessimistic outlook is found in the structure of Austria's Comecon trade. Comecon exports account for nearly one third of Austria's fuel and energy imports and one seventh of agricultural imports.

While it is not likely that Austria could easily cut down on these imports, the reverse is not true. Austrian exports of semi-finished and finished manufactures are areas where the Comecon countries are gradually becoming self-sufficient.

Another reason for pessimism is that, as in other areas of foreign trade, Austrian companies are having trouble with Western competition.

It is not necessarily the quality nor the price of Austrian prod-

ucts that is hurting exports to Eastern Europe, but the current conditions in East-West business relationships.

Estimates put Comecon's hard-currency debt to Western countries in the \$45-\$50 billion range. The debt load has led to East European insistence that Western firms make counter-purchases of goods and equipment to offset partially the price of the products bought from the West. The East European countries are always on the lookout for large credits at the best possible terms to finance their imports from the West.

It is generally agreed that large companies can offer better credit conditions and can absorb East European counter-deliveries better than small firms. Most Austrian companies are small firms.

The Minister for Trade, Commerce and Industry, Josef Stambacher, admitted that Austrian exporters are having problems.

"Our exporters are saying that they often cannot match the conditions (of credits and counter-purchase commitments) that other Western companies are offering CMEA enterprises," Mr. Stambacher said. "Although our volume of trade with the CMEA is increasing, unfortunately we must recognize that our share in these traditional markets is declining."

The study mentioned above said that Austria's share of the Soviet market in the sixties was 4.3 per cent. By the end of 1977, Austria's market share in the Soviet Union was less than 2 per cent.

In the remaining Comecon countries, Austria has about held its market share. In 1970, Austrian firms had a 7.7-per-cent share in the smaller countries, compared to last year's 7.5-per-cent share.

In overall foreign trade, exports to Comecon account for just more than 14 per cent of total Austrian exports. Comecon exports to Austria account for about 9 per cent of Austria's imports.

These figures do not include the trade with Yugoslavia, which is only an associate member of Comecon. Including trade with Yugoslavia, Austria's exports to Eastern Europe amount for nearly 18 per cent of total exports.

Wilhelm Hendricks, director of Allgemeine Finanz- und Waren-treuhand AG, a specialized company which helps firms dispose of the goods they have to buy back from Eastern Europe, believes that counter-purchases alone are not hurting the small Austrian companies.

"Let's face it, buy-backs are a pain in the neck, but no more so for Austrian firms than for other Western companies," Mr. Hendricks said. "What is happening

is that the increased debt in Eastern Europe is forcing many countries there to cut back on imports. Where they cut back is not in major capital investment projects, like a petrochemical plant and so on, but in the areas that most affect Austrian exports—semi-finished and finished goods."

Austria is particularly worried about its trade with the Soviet Union, which supplies a good portion of Austria's natural gas and other raw materials. Last year, the Austrian deficit in trade was \$230 million, an increase of \$30 million over 1976.

Moreover, the deficit is likely to go in only one direction—up, with estimated Soviet surpluses between \$300 and \$500 million in 1980.

Bearing these factors in mind, Austrian Chancellor Bruno Kreisky and Trade Minister Stambacher visited Moscow in early February to make a sales pitch in behalf of Austrian industry.

Mr. Stambacher said that the

talks in Moscow were aimed at showing not only his country's interest in participating in Soviet industrial projects, but also to look at "the possibilities for joint projects in third countries."

Loans to East

In trade with the other Comecon countries, Austrian firms may also have a hard time maintaining their share of the East European markets in the coming years. Gerhard Fink, a co-author of the study mentioned above, estimated that Austria may have to grant credits of more than \$1.5 billion through 1980 to help finance Austrian exports to the smaller Comecon countries, "just to hold our present position."

Through 1976, Austria had already loaned these countries more than \$1.4 billion.

Not long after Mr. Fink's prediction, it was announced that Austria is to clear a long-term credit of \$360 million to the German Democratic Republic.

In spite of the increasing com-

FOREIGN EXCHANGES

Oct. 16	Bank Rates %	Market Rates	
		Day's Spread	Close
New York..	6	2.0490-2.0585	2.0550-2.0560
Montreal...	8 1/4	2.1100-2.1210	2.1150-2.1160
Amst'rdam	4 1/2	5.41-5.46	5.41 1/2-5.42 1/2
Brussels....	† 6	79.80-80.00	79.45-79.85
Copen'gen	7 1/2	12.27-12.33	12.27-12.28
Frankfurt..	5 1/2	5.25-5.28	5.26-5.27
Lisbon.....	6 1/2	54.25-54.75	54.35-54.55
Madrid.....	† 7	121.05-121.55	121.30-121.50
Milan.....	6	1.388-1.392	1.387-1.389
Oslo.....	5	11.25-11.32	11.26-11.27
Paris.....	8	8.99-9.03	8.99 1/2-9.00 1/2
Stockholm.	6	8.96-8.99	8.96-8.97
Tokyo.....	7 1/2	616-625	622-624
Vienna.....	6	37.10-37.60	37.20-37.40
Zurich.....	5 1/2	5.42 1/2-5.46 1/2	5.45-5.44

† Basic discount. † Rates given are for convertible francs; closing financial franc 82.15-82.35.

The above exchange rates are reprinted from the Financial Times for when - 16 October 1959, 1962, 1968, 1971 or 1975

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Foreign Investors Own a Nominal 20 Per Cent of the Economy

VIENNA (IHT).—It was perhaps a natural slip of the tongue when a top German businessman in a press conference last year referred to the "federal state, Austria" instead of "the federal states of Austria."

Although such remarks are sensitive historically, the economic influence of the giant neighbor to the north sometimes makes Austria look like the 11th state of the German Federal Republic, just slightly more perverse than bordering Bavaria.

Not only does 40 per cent of Austria's imports come from West Germany but the Federal Republic heads the list of foreign investors, who altogether own a nominal one-fifth of the Austrian economy.

Statistics do not begin to tell the story of the pervasiveness of foreign investment in Austrian life because so many household products, from clothing to detergents, bear names familiar in any German home. Sometimes it seems to the Austrians as if everything but the sky under their feet are the product of foreign capital.

It is not surprising, with Germany having three of the world's largest chemical companies, that German investors play a leading role in this key industry in Austria. And the fact that Siemens, one of the world's largest electrical and electronic companies, sits just a couple of hundred kilometers from the Austrian border makes it seem natural that this industry, too, is dominated by foreigners.

Of course, it is not just the Germans. The Swiss—with their chocolates, chemicals and pharmaceuticals—also are heavily engaged in Austria. And the American Challenge reached even into this corner of Western Europe.

Following World War II, it was primarily American capital which helped Austria gear up its economy. The country was under-industrialized due to an accident of history. The heavy industry of the Austro-Hungarian empire had been concentrated in present-day Czechoslovakia. After the first war, the new Austria never could seriously industrialize because of the Depression. Industry during the Hitler period consisted almost exclusively of armaments.

And so American investment, as subsequently German and Swiss and other European, played a key role in building up Austrian industry.

The only comprehensive study of Austrian foreign investment was completed in 1970 by the Chamber of Workers and Employees. The study exhaustively analyzed, to the extent statistics permitted, the stand of foreign investment following the strong upsurge of the Germans and

other Europeans during the sixties.

The figures showing the nominal value of foreign direct investment put Germany on top with 27.7 per cent of the investment, the U.S. with 18.5 per cent and Switzerland with 15.5 per cent. Sizeable investments were attributed to Great Britain, Benelux, Italy, France and Sweden.

Ferdinand Lachna, an economist at the chamber and co-author of the 1970 study, says there is a

little change in the proportions during the intervening years, although Swiss investment has surpassed that of the United States. Although no subsequent studies of the same depth have been attempted, Mr. Lachna says the inflow of foreign capital slowed noticeably during the seventies. In fact, he says, repatriated profits now exceed capital inflows so that there is, in fact, a net capital outflow.

Mr. Lachna says foreign invest-

ment trends have clearly stabilized. Günther Tichy, economist at the Girozentrale Bank in Vienna, says foreign capital no longer plays a dynamic role in the Austrian economy.

A variety of reasons are given for this slowdown. The Austrian market is saturated. The importance of Austria as a middle-man in East-West trade declined sharply with Germany's Ostpolitik and normalization of trade relations.

But clearly the biggest reason is the huge jump in wage costs, through a combination of successive double-digit pay hikes and steady appreciation of the schilling. The same factors that have hurt Austrian export products make the country less attractive to foreign capital. Germans and other Europeans now put their money in developing countries or the U.S., while Americans or other non-Europeans looking for a European

production base go to Ireland, England or Spain.

The lack of foreign interest is sorely missed at times. A glaring example is Austria's ongoing chase after a very elusive chimera—a car factory. Although economists question the wisdom of an auto assembly plant—which, after all, does not involve much production—the chase, whose chief champion is Chancellor Bruno Kreisky himself, continues.

But plans for an Austro-Porsche

fell through late last year when the renowned German carmaker balked at the insufficient marketing and service network in Austria and showed an overreaction to putting the Porsche name on the Austrian product.

Subsequent talks with Chrysler Corp. also seem to have reached a stalemate. It seems Austria will have to content itself for the time with a minority interest in an auto-parts factory planned by Renault in Styria.

—D.D.

Banks Play a Large Role at Home and a Modest One Abroad

VIENNA (IHT).—Banking in Austria is big business—in a small way. The banks play an important role in national economic and political life and there is intense competition among the different sectors. But Austrian banks are small on an international scale and play a correspondingly modest role in international finance.

The biggest credit institution is Creditanstalt Bankverein, a joint-stock bank with total consolidated assets at the end of 1976 of 187 billion schillings (about \$2.1 billion). While this represents 10 per cent of Austrian bank assets, it only enabled Creditanstalt to rank 47th among European banks.

Girozentrale und Bank der Österreichischen Sparkassen, the central bank for Austria's savings bank sector, was No. 2 domestically with assets of 84 billion schillings (about \$5.6 billion), but only 71st on a European scale. Third in size is the Österreichische Länderbank, with a balance sheet volume of 66 billion schillings (about \$4.4 billion), No. 83 in Europe.

Together, the Big Three represent one-quarter of bank assets in Austria. But if banking is more concentrated here than in neighboring West Germany or the United States, Austria compares favorably with countries the same size. A ranking by "The Banker" shows Austrian banking to be much less concentrated than that in Switzerland, the Netherlands or Belgium-Luxembourg, according to measures of the total assets of the three biggest banks

against GNP, population and industrial customers.

The Girozentrale heads a network of more than 700 savings banks with their branches. The cooperative banking sector, headed by the Genossenschaftliche Zentralbank (Austria's fourth largest bank), has more than 2,000 places of business. In addition, there is a garden variety of private banking houses, mortgage institutes, Volksbanken (trade banks), consumer credit agencies and building societies.

Altogether, Austria had more than 3,900 banking outlets by the end of last year, or one for every 1,828 inhabitants. In 1976, the

last year with comparative statistics available, Austria had one outlet for every 2,003 residents, compared with one for every 4,674 persons in the United States and one for every 4,420 in West Germany.

The trend is decidedly in the direction of even greater saturation, and the proposed banking law is likely to accelerate the proliferation of branches. The government's new bill on the credit business, which essentially brings the law up to date with the practice, effectively removes any restrictions on branching.

The commercial banks as well as the big savings banks have

been pushing for this liberalization because the battle for market shares has forced the banks to seek customers traditionally belonging to other banking sectors. Economists claim that Austria, theoretically at least, is already "overbanked," but the commercial banks are likely, for prestige reasons if nothing else, to continue branching out.

Physical presence is the proven method of gaining retail banking customers, and this is what the commercial banks are seeking, following the move of savings banks and cooperative banks into wholesale banking.

This shifting of the customer structure among banking sectors

parallels the trend in Germany, which has a similar banking system. Big banks are becoming "universal" in their services and customer structure and forcing asset growth while scrambling for deposits.

Günther Tichy, an economist at Girozentrale, sees this new development as the third phase in the postwar market segmentation in Austrian banking. In an enlightening study of Austrian banking published last August, Mr. Tichy sees the shifts in market shares between the major banking sectors up until now due primarily to historical and economic factors.

In the years immediately fol-

lowing the war, industry was quicker to need and use banking services. In 1953, commercial banks had 47 per cent of all bank assets, while savings banks held only 22 per cent and cooperative banks only 7 per cent. By 1960, private banking habits were more normal; the commercial bank market share slipped to 38 per cent, while savings banks rose to 27 per cent and cooperative banks to 14 per cent.

In the period 1960-75, as the smaller customers traditionally served by the savings banks and the agricultural credit unions making up the bulk of the cooperative sector grew more prosperous, these sectors could grow and keep pace with commercial bank growth. The cooperative banking sector could even increase its market share to 18 per cent by 1975.

It is only, Mr. Tichy says in his study, as the natural dynamic of postwar recovery and increasing customer prosperity played out that banks began devising marketing strategies to steal customers away from the other sectors.

The new credit law, which is to become effective at the beginning of next year, clarifies the rules of the game and puts the sectors on fairly equal footing for this market-shares struggle.

Besides competition, the other preoccupation of Austrian banking is politics. Politicization of banking in a small country is almost inevitable, especially when the two biggest joint-stock banks, Creditanstalt and Länderbank,

are majority-owned by the government and such democratic sectors as savings banks and cooperative banks play such a big role.

Banks are divided into red and black camps and even the top posts within the same bank are held by bankers of different political colors. Not surprisingly, the flow of personnel between banking and politics is regular. The chairman of the opposition Peoples Party, for instance, headed the Girozentrale before he was elected to his present position in 1975. At the end of January, Stephan Koren left his job as leader of the parliamentary opposition to become president of the Austrian National Bank, an appointment by the Socialist Chancellor Bruno Kreisky.

Domestic preoccupations with market shares and politics, as well as their modest size on an international scale, have kept Austrian banks from a strong engagement in international banking. Then, too, there is the naturally conservative bent in the Austrian temperament. Trade, of course, provides the biggest international involvement.

Foreign assets of Austrian banks rose from 7.7 per cent of total assets in 1970 to 12 per cent by the middle of the decade. But this proportion doesn't show many signs of growing further as the banks involved seem content to let international business grow proportionally. It is above all the joint-stock banks which are involved, with 38 per cent of their assets abroad.

—D.D.

Economic Indicators Point to Declining Growth

(Continued from Page 1)

stiff measures to try to begin a turnaround.

The Austrian government's program to battle the country's economic problems, announced last fall, is a mixture of measures to cut the federal deficit by some \$520 million and increase revenues through various tax measures that will put greater burdens on the individual and private enterprise. At the same time, the government announced a 10-year investment program of more than \$35 billion for improvements in construction, agriculture, research and development and other industrial sectors.

One measure, raising the value-added tax (VAT) from 18 to 30 per cent on certain luxury

goods effective Jan. 1, was generally regarded as necessary to try to stem imports of such consumer durables as automobiles and stereo equipment. Austrian imports of more than 450,000 foreign cars in the past two years (Minister Staribacher: "A gigantic number") are estimated to have accounted for nearly one-third of the foreign trade deficit.

Concerning VAT, Rudolf Salinger, president of the Federal Economic Chamber, said recently that "attempts to limit imports are risky because of the possible disagreeable consequences for our exports."

Also, industry has been left somewhat confused about the government's raising taxes on

the one hand while at the same time making plans for long-term investments. Hans Igler, president of the Federation of Austrian Industrialists, an organization made up of medium to large-sized companies, said the government's tax and investment proposals had caused a "confidence gap" in private industry. He told a recent parliament session that a "credible change" in the direction of the government's economic policies should necessarily include a "reduction of taxes on investments and (of those) on the export industry."

Industry is also hoping that the country's 16 unions, organized under the powerful Austrian Trade Union Federation, will moderate their wage demands this year. Recent wage settlements have already shown a trend toward compromise, with pay rises ranging from 5.8 to 6.1 per cent—somewhat less than the unions' bargaining formula of the rate of inflation (1977: 5.51 per cent) plus 1 to 2 per cent, but more than what industry would like to pay.

These settlements point to what may be Austria's best hope in getting through its economic troubles: The high degree of social cohesion provided by the Sozialpartnerschaft (social partnership) between industry, represented by the Federal Economic Chamber, and labor, represented by the Austrian Trade Union Federation.

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VOEST-Alpine, Industrial Giant, Looks to World Markets

my

VOEST-Alpine, the giant of the Austrian industry, is the iron and steel group VOEST-Alpine AG, one of the world's leading producers. It provides almost all the crude steel in this country.

VOEST dates back to the Hermann Göring Reichswerke AG, built here in 1938. Nationalized in the 1946 move to gain Austrian influence over former "German assets," the company underwent a massive change as part of the concentration of the nationalized industries in the early 1970s. Four iron and steel companies became one, VOEST-Alpine, with two subsidiaries. The subsidiaries, refined steel producers, became the Vereinigte Edelstahlwerke AG (VEW—United Refined Steel Works) in the mid-seventies.

The largest industrial enterprise in this country and the parent company of the combine, VOEST-Alpine has 11 production plants in Austria and employs about 80,000 people. For more than two decades, this firm's name has been linked worldwide with the LD oxygen-top-blowing process, which was developed at its Linz and Donawitz plants (hence LD) and which accounts for about half of the total world crude steel production. Licensing expired in 1974. Now VOEST-Alpine sells know-how for the process.

Highly diversified, the company also turns out chemical and petrochemical equipment, bridges, mining and tunneling machines and, through its engineering and equipment division, plans, builds and supervises industrial plants all over the world. Last year, exports accounted for 67 per cent of total sales, which were 26.5 billion schillings (about \$1.5 billion).

VOEST-Alpine has not been spared the effects of the worldwide steel crisis. How it cut back newly increased production and its plans for the future are discussed by the new chairman of the board, Heribert Apfalter, in an interview at the combine's main office with Thomas C. Tracy of the International Herald Tribune.

Q—What is your total steel capacity now?

A—Five million tons, but our

production is less than four million tons, so the effective capacity is less than 80 per cent. Our high point was in 1974, with 100 per cent. But you have to consider that our five-million-ton capacity was first reached with our new blast furnace, in 1977. The planning and investment time span in steel is relatively long. Our previous capacity, before the furnace, was about four million tons.

Q—What capacity do you expect to work at in the future?

A—For 1978, we expect the same capacity as in 1977, or between 70 and 80 per cent. For beyond that, we don't expect any essential increase, because we must fear that industry is not able to use what we can produce. So, we will keep the capacity we now have; we'll freeze it.

Especially with the currently available amount, we will specialize and go for the highest quality, to fully use the export possibilities for steel production. Fifty per cent of our mass steel production is for domestic use, sold directly to nearby works.

The goal of this company is to emphasize steel processing and building industrial plants.

Q—How much of your capacity is devoted to building industrial plants?

A—That is a very important point. It is future-oriented. It is between 25 and 30 per cent of our capacity, almost all overseas.

We intend to increase this in the next years by 50 per cent, although the prices may be higher, so that mass steel production will be only 50 per cent. We hope we are able in the eighties to raise the share of building industrial plants to about 50 or 60 per cent. That is, machine making, steel construction, finished steel products and, especially industrial plants. An important part of building plants is the service function—engineering, training, etc.

Q—Overseas, you are active in China.

A—Yes. VOEST-Alpine is strongly involved in refined steel in Red China. We hope, on the basis of the changes in the internal political situation there, for the chance to increase our exports, especially finished prod-

ucts and complete plants. Remember, we delivered a steel plant to China ten years, so we have a good start in this area.

Q—When you build a plant overseas, do you usually build and leave or?

A—That depends on what the customer wants. When we build in industrial countries, we do build and leave. In developing countries, we can train people, send our own people to run the plant for a long period, giving the customer a long start-up time to guarantee 100 per cent satisfaction with the new plant.

Q—And in China?

A—At that time, ten years ago, we delivered, built and put the steel plant into service. The Chinese took it over, and it functions very well.

Q—Austria is starting to have diplomatic relations with Cuba. Will you go there, too?

A—We have been in Cuba for

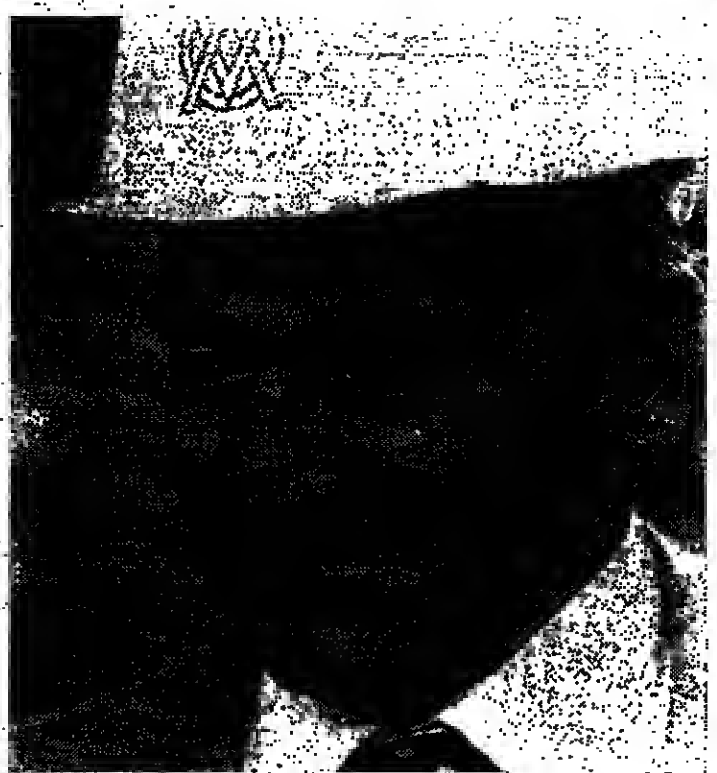
Board Chairman

Heribert Apfalter:

'Industry Is

Usually Ahead of

Diplomacy.'



stay at home and listen. That was the first time this was done in Austria. It's an Austrian invention.

Fifteen thousand workers were involved, and we were in no position to put them all into lecture halls or classes.

The lectures were on the normal regional program, and even the people who didn't work here enjoyed it.

This was only for two weeks. We had put all the contracts we had on hand together, fulfilled them and then gave these 15,000 workers two weeks for the classes on the radio. The first lectures were held on six days—they were specially prepared for this—and now we have a series for ten days available. The first lectures were on the International Standard System that was introduced in Austria on January 1. The second series covers the individual jobs in relationship to the overall process. It provides the worker with the technological background of his job.

During the radio lectures, workers could call in directly to ask questions and get an immediate answer. We had a very lively participation. More than 95 per cent of the workers actively listened to these lectures. Outstanding!

Q—You probably had more workers listen to the radio lectures than would normally come to work?

A—That's right. With an absentee quota of about seven per cent, we had a higher percentage for the radio lectures.

An institute is now evaluating the questionnaires to see how much each worker learned this way. But if the market reaches the level we expect, we will not have to do this again.

We have also had complete retraining, but this was more limited. In a two-year program that started in mid-1977, about 1,500 to 2,000 workers are involved.

(In addition to those who were retrained, VOEST-Alpine also cut back its work force by about 2,500 foreign workers when their contracts expired. In all, the combine has reduced its employees by about 4,000 since 1974).

Q—Is this a first in Austria?

A—Yes, and it shows the ability of the nationalized industries to take action when necessary. And quickly.

The representatives of the employees were 100 per cent agreed that this action had to be taken. That is a special characteristic of the Austrian economy, the willingness to share responsibility.

Q—Here, at the parent company, you have started to retrain workers.

A—We started training in November and December. It depended on the situation in the individual departments. There was training—further education—and retraining for new jobs.

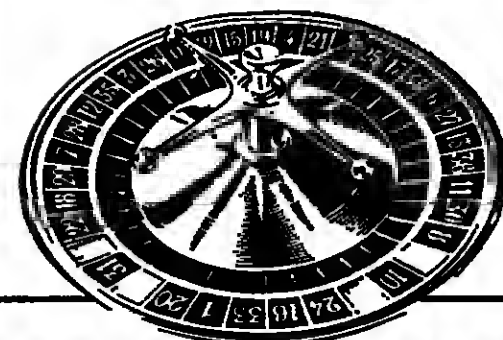
In some cases, this was carried out on the job. Here in Upper Austria, in the Linz area, we carried out training by radio. Every day there were two lectures on radio, an hour in the morning and an hour in the afternoon, and the workers could

For relaxation
come to Austria.
And for excitement
come to the casino. ♥

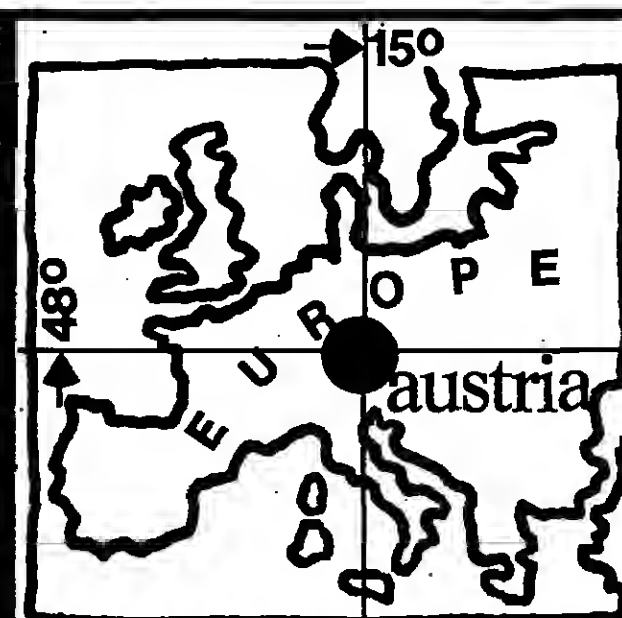
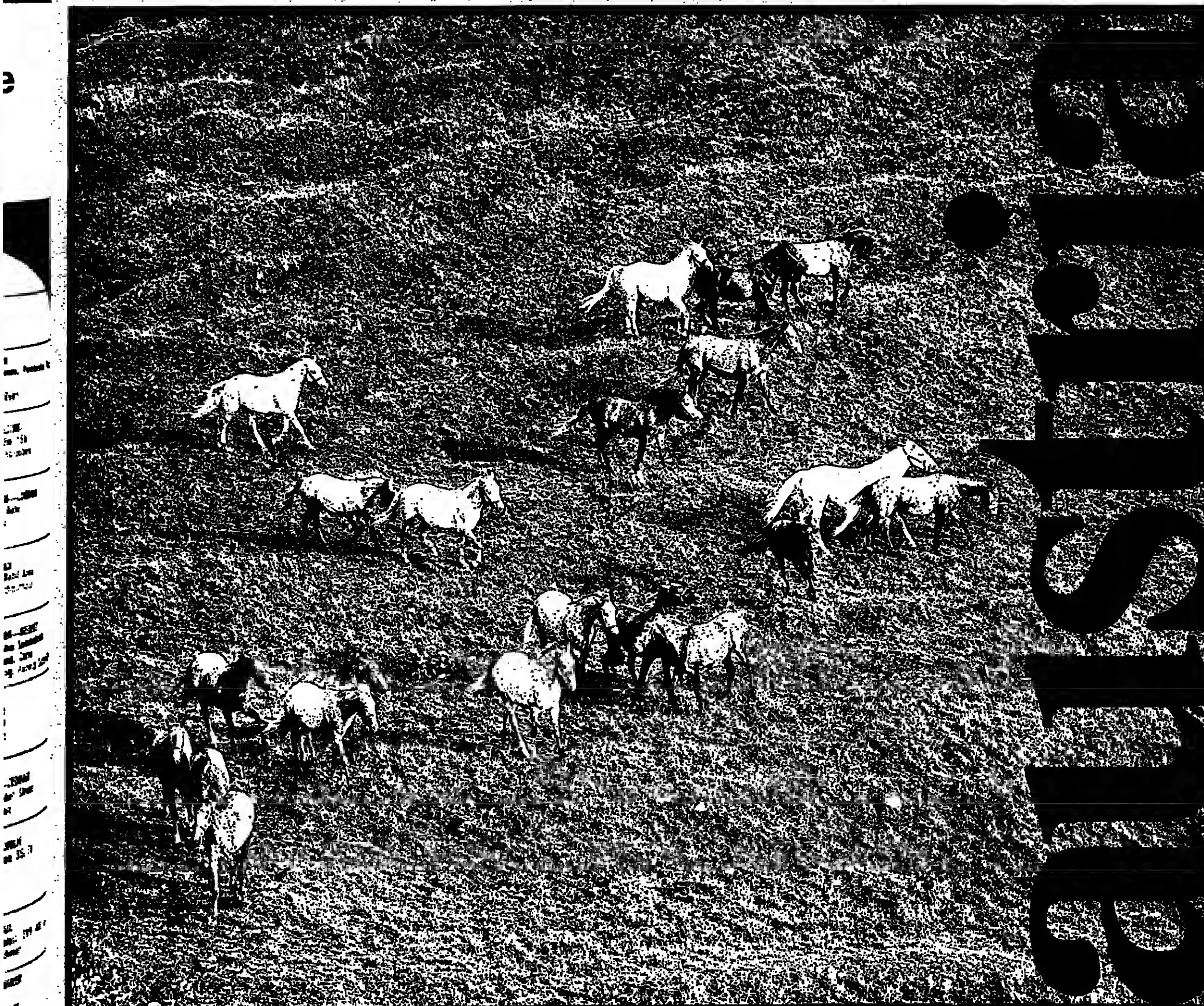
Relaxation and entertainment go together in Austria. This has made Austrian casinos famous all over the world. That's why many an expert from the Austrian Casino AG is called abroad when a new project is to be started. Thus some of the new casinos in foreign countries have a little bit of Austria in them. Austrian casino know-how has become an export article much sought after. For more and more people Austrian casinos have become an ideal meeting point where they can get to know each other in a relaxing atmosphere and besides gambling can even discuss business. To the advantage of all concerned.

An Austrian casino is always worth a visit.

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Future of First Nuclear Power Plant Remains Uncertain

By Ernie Reed

VIENNA (IHT).—One of the big questions confronting the Austrian energy situation is if and when the nation's first thermal nuclear power station will go into operation. Other problems are the amount of crude oil that must be imported and the development of more hydroelectric power stations.

Some experts here feel that the planners put the cart before the horse when building the \$32-billion nuclear power station at Zwentendorf, about 20 miles northwest of Vienna. While there are constant protests by Austrian anti-nuclear groups, still the more important issue has hinged so far on Austria's failure to find a place to dispose of its nuclear waste. It has sent representatives to Iran, the United States and elsewhere but apparently no country wants another's waste, especially when it contains elements considered as dangerous by many. Nevertheless, the issue must be solved if the country is to use nuclear power to cut down on its imported energy needs, which amounts to about two-thirds of the total.

A government economic expert pointed out that the Zwentendorf plant is supposed to operate about 6,000 hours per year, and during this time, its output of 4.2 KWT will almost equal the production of about four Danube hydroelectric power stations, which each annually turns out about 1.3 billion KWT of electricity. Also the plant will reduce the use of some of the older thermal power stations which are more expensive to operate because they need crude oil that is becoming more expensive. He also said that if the Zwentendorf plant goes into operation, it will compensate for the rise in energy demand for the next two or three years.

Electricity

All in all, power supplies for Austria are furnished mainly by coal, oil, natural gas and hydroelectric power. Because it is a mountainous country with a dense river network, Austria has become a major producer of electrical power and, along with West Germany and Switzerland, it is one of the major electricity exporters in Europe. The network of hydroelectric power stations

now in development is expected to help keep the import demand to an acceptable limit.

But the increasing demand for energy, another official said, is such that even the construction program for hydroelectric power stations cannot keep pace with it. He pointed out that Austria must import two-thirds of

its needed crude oil at an annual cost of some \$800 million. Also he feels that import demand will grow and crude oil prices will climb. Austria imports most of its crude oil from such OPEC countries as Iraq, Iran and Libya. It also imports 80 per cent of its liquid gas from the Soviet Union. Officials say there are good

prospects of finding oil by digging deeply in regions north of the Alps. There are already prospecting and investments there. An important segment of the Austrian oil production is the Schwechat refinery, about ten miles east of Vienna. It not only handles about two million tons of crude produced annually in the

country but also the oil pumped along the Adriatic-Vienna pipeline from the port of Trieste. The annual amount pumped from Trieste averages more than seven million tons. The Schwechat refinery, certainly one of the largest inland refineries in Europe, is being gradually expanded to handle a capacity of more than

14 million tons. The natural gas that is drilled here is piped to local factories and power stations as well as to industrial centers in other parts of the country.

One official knowledgeable on energy said that Austria's needs in the future will become more dependent on imports and that the current two-thirds figure will

climb to 80 per cent in the near future. Therefore, he said, the country must do everything to conserve energy resources. In view of the adverse outlook for crude oil, Austria will have to look for new resources, he said.

The same official stressed the importance of putting the Zwentendorf nuclear power station,

which is now nearing completion, into operation as soon as possible. He pointed out that the plant would be able to produce per year some 4.1 billion KWT, or about 15 per cent of the needed electricity. He said that it would relieve some of Austria's import concern and also curb depletion of reserves.

World Slump and Growing Foreign Competition Trouble Steel

VIENNA (IHT).—Steel and manufacturing will probably find 1978 a difficult year to get through.

Caught up in the worldwide steel slump and faced with growing foreign competition in certain branches both at home and abroad, Austria's steelmen—from the management level down to the workers—have begun some belt-tightening to try to prevent

further losses and to rationalize production and product development.

Statistics for the third quarter of 1977 show that total production in the steel sector was down 13.6 per cent compared to the same period of 1976. Production in the metalworks was down 1.7 per cent and in the foundries 4.2 per cent.

At the same time, employment

in the steel sector stayed about the same, while unit labor costs climbed and productivity declined.

Crude steel production, mostly accounted for by VOEST-Alpine AG in Linz, which belongs to the nationalized holding company, the Austrian Industrial Administration Company (IOGAG), had dropped more than 9 per cent during the first three quar-

ters of last year to less than three million tons.

VOEST's turnover last year dropped an estimated \$60 million below the 1976 level, to about \$1.6 billion, due mostly to a 5.4-per-cent fall in exports.

As Austria's largest employer, VOEST has maintained the payroll at about 49,000 despite lagging sales and production. But recently more than a third of the workers were put on shifts, reducing their working time by up to 30 per cent.

The special steels subsidiary of VOEST, the Vereinigte Edelstahlwerke (VEW) also had a difficult year. Although it managed to increase its turnover slightly to about \$680 million, VEW estimates its losses for 1977 at about \$24 million, which equals the company's combined losses for 1975 and 1976.

Main Problem

According to a report by the Austrian Institute for Economic Research (WIFO), the main problem in the trade of iron and steel is that foreign prices have dropped more than domestic prices. Austrian imports of iron and steel in the third quarter of 1977 were estimated to have covered more than half of Austria's domestic needs, leading to a 27 per cent reduction in contracts for the Austrian industry at home.

Austria's steel industry will be putting more effort into research and development to improve its technology in metal and steel production. The industry already has a good reputation due to its LD oxygen-blown steel process, which accounts for about half the world's steel output today, and to the powder metallurgy

process for producing high temperature-resistant sintered metals.

VOEST and VEW are also embarking on a program to restructure production with investments amounting to more than \$13 billion. The main thrust of the program is to have the individual supplier factories, most of which are located in the province of Styria, specialize in only a few product areas.

The program is also intended to further develop what for VOEST-Alpine and VEW is a growing business—exporting industrial plants and equipment. Last year between 25 and 30 per cent of VOEST's turnover was in industrial engineering, and the company started out 1978 with long-term industrial equipment orders exceeding \$900 million.

Together with such nationally-

ed firms as the machinery producer Simmering-Gras-Pauker (SGP) and the electrical equipment manufacturer Eim-Union, and such private companies as Wagener-Biro, J. M. Voith AG, and the automobile manufacturer Steyr-Daimler-Puch AG, Austria's steel industry has been able to win important contracts in the Middle East and Africa.

—D. S.

Chemicals: Watching and Waiting

VIENNA (IHT).—The chemical industry is a very important branch of the industrial scene. In terms of production value, it's second only to the food industry. The annual value averages about \$3 billion.

There are altogether 682 companies, of which 90 per cent are privately owned. However, the chemical industry here is clearly dominated by the nationalized Chemie AG Linz, which employs about 7,500 people and has its headquarters in the industrial city of Linz.

Abundant supplies of raw materials, especially wood, natural gas, oil and coal gas made it possible for a sizable expansion of the chemical industry after the war.

The main fields of production are cellulose, nitrogen and petrochemicals. A big range of synthetic fibers for modern textiles has been developed in Austria from ligno-cellulose, cellulose and petrochemical sources. Austria's own textile industry uses much of the staple fibers of the linen and wool types, mainly flock or yarn. Chemie AG Linz produces chiefly nitrogen and fertilizer, plus pesticides, pharmaceuticals

and additional materials for the production of petrochemicals.

The youngest branch of the chemical industry, the production of petrochemicals, is located in the Schwechat refinery region. Currently, some 300 major industrial enterprises and about 700 smaller companies process plastics.

For about two decades, the worldwide chemical industry prospered handsomely. There was a great demand for chemical products, as new developments and technology were used to supplant natural products.

But over the past two or three years, the Austrian industry, like its counterparts in other countries, has had some difficult problems. They included: the increase in world production which made it a buyer's market; rising wages that have considerably upped the cost of man hours or the productivity rate, and the loss of some markets in which countries developed their own chemical industry.

While it's true that there is an increased demand worldwide for fertilizers, only part of it is resulting in sales for this country. Austria at one time had

a very active market in East Europe. But in recent years, thanks to the help of Western technology and know-how, including expertise from Austrian technicians, these countries have developed their own chemical industries.

It is estimated that when all the figures are in, the Austrian chemical industry will show an increased production tonnage rate for 1977 from five to six per cent while the monetary value for the same period will be a hike of about 8 per cent. Nevertheless, the rising wage scale and cost of labor in this country will counteract gains in terms of actual value.

Because of the huge investment costs and the vast capacity that is necessary for the chemical industry, the Austrian enterprises are striving more than ever these days to sell most of their products abroad. But the maintaining of the hard schilling by the government is making this aim a very difficult one. Most officials here feel that the first quarter or half of 1978 will hold the key to whether or not the Austrian chemical industry will be moving forward. —E. R.

Decline of Mining a Real Problem

VIENNA (IHT).—Mining is a declining industry and is one of the real problems of the industrial sector in this small mountainous country whose geological formations have been yielding iron and other metals and valuable minerals for hundreds of years. But the times have caught up with the industry here. It has been going downhill since the early sixties.

In 1976, the overall mining output amounted in value to about \$400 million, which meant that the industry had accounted for about 5.4 per cent of the total Austrian industrial volume of production. And in 1977, there was another decline in relation to the overall production, sliding to about 5 per cent.

Mining sources say that the pressure of the world situation has been an important contributing factor to the retrogression of the industry. They point out that Austria now imports much of its essential raw materials from less developed states where the labor and overall costs are much cheaper. They stress that it is not a question of declining resources here but one of cost.

Another factor is that mining is a capital-intensive industry. The commercial situation is such that the Austrian companies make too little profit, if any, and so they have very little capital for investment.

The coal mining sector currently is devoted entirely for domestic use. At this time, only lignite (soft brown coal) is being produced in Austria, and is used mainly for the heating of households and only a small segment for thermal power stations. Anthracite (hard coal) has not been mined here for ten years or more and must be imported from other European countries.

One glimmer of hope for the industry has been the opening of a new lignite mine at Voitsdorf, Styria, which officials say will be mainly used for a thermal power station near there.

Meanwhile, the nationalized Vöest-Alpine AG in Linz, which plays the major role in Austria's nationalized steel enterprises, has concluded a joint-venture agreement with the Massey Coal Company, an affiliate of the St. Joe Mineral Corp. in the U.S., to cover some of its bituminous

coal needs. (The Austrian steel company has ventured a capital investment of some \$33.2 million for an 80-per-cent interest in a coal company located in Virginia that will produce annually about 700,000 tons of bituminous coal.)

The overall annual output of iron ore, magnesite and mineral oil (considered a segment of the mining industry in Austria) has been steadily declining over the past years. For example, only 88,000 tons of magnesite was mined in 1976 compared to some 153,000 tons the previous year. In the same period, the output of iron ore fell to 3,784,000 tons from 3,833,000 tons, and mineral oil declined some 39,000 tons from the 2-million-ton mark in 1975.

However, there was a better trend in the production of zinc and lead, with 418,000 tons mined in 1976 compared to some 390,000 tons for the year before. Also officials here are more optimistic about the mineral oil situation and believe that in the coming years the production will be sizably increased. —E. R.

Vienna 1977

Vienna, a city which often appears to visitors to be rather drab, is smartening itself up.

Palaces, museums, churches, theatres and the numerous large middle-class mansions—all witness to a dazzling past—have been given a new and sparkling facade. On the "Ring", the famous avenue encircling the Inner City, there is hardly a building left that has not now been given a face-lift.

The "Kärntner Straße", the "Bond Street" of Vienna, has been turned into a pedestrian area.

Why do we tell you all this? Vienna is currently going through the same process of transformation as some other European cities have already undergone.

Amsterdam, for example, London or Hamburg. Fresh colours, the many small shops, galleries, boutiques and restaurants all serve to rejuvenate daily life in the city.

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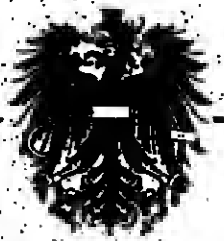
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Summer of Discontent for Tourist Trade

VIENNA (IHT).—With the Alps for skiers and bikers, majestic palaces for sightseeing and no small amount of wine drinking and accordion music for everybody, Austria has long been able to count on tourists spending enough foreign currency here to balance its foreign trade figures.

Last year, the magic formula didn't work. Foreign visitors spent fewer nights in Austria—overnight stays are the ones that get into the statistics—and the country lost part of its market share in international tourism. Even though the percentage of decline for foreign tourist overnights and for the increase of overnights by Austrian tourists was about the same—4 per cent—it "did not fully compensate for the setback in foreign tourist travel," the Creditanstalt-Bankverein reported in January.

Why did the Alps, the palaces and the wine and song so suddenly lose their charm for foreign tourists last summer?

In 1977, according to the Austrian Institute for Economic Research (WIFO), while international tourism in general increased—reflecting the improvement in the world economic situation in 1976—the preference was for vacations in the Mediterranean area. Italy and Portugal had tourist booms. Overnights in Spain and Greece increased above average. WIFO estimates that these four countries experienced a 30-per-cent growth in overnights. Only Yugoslavia did not share in the growth of foreign tourists.

Instead of eating Sacher cake and listening to Mozart, foreign tourists were enjoying spaghetti and the disco.

Austria had benefited, according to WIFO, from the decline in tourism in the Mediterranean from 1976 to 1978 because of political unrest, despite the fact that the tourist price level here climbed from 1973 to 1976 by about 22 per cent more than in competing countries. Then, when the Mediterranean made its comeback last year, Austria also suffered by being about 10 per cent more expensive than Switzerland, its main competitor (both countries offer similar tourist attractions). The Swiss had lower price increases and the franc had declined against the schilling.

The change can be dramatic.

ally seen among the West Germans. ("The Germans are traditionally the biggest national group among foreign tourists in Austria," noted Walter Klement, head of Austrian National Tourist Office in West Germany.) WIFO pointed out that from January to August last year, German overnights in Austria decreased by two per cent, which was above average. At the same time, Ger-

New Farm Program Seeks Broader Range of Products

VIENNA (IHT).—Austria's agriculture and forestry sector, which accounts for about 5.5 per cent of the country's total GNP, is beginning a program of structural changes to broaden the range of agricultural products and so reduce imports.

Despite a steadily declining number of full-time farms (about 180,000 compared to more than 200,000 in 1974), agricultural production has increased remarkably over the last decade, consistently exceeding domestic demand for meat, grains, milk and dairy products.

The Socialist party government's Ministry of Agriculture faces two main problems. One is that although Austria covers about 90 per cent of its own food needs, it is still a net importer of agricultural products. Last year, the agricultural trade deficit, mostly due to imports from the EEC, may have reached \$800 million.

The second problem is that overproduction has led to steadily rising price-support subsidies from the federal government. The Austrian Institute for Economic Research (WIFO) reported that subsidies last year reached nearly \$220 million, much higher than originally planned. The government hopes to reduce price-support subsidies this year by about one-fourth.

At the top of the Ministry of Agriculture's program are financial incentives to farmers to grow less grain and more oil-yielding plants. Austria imports about 93 per cent of its vegetable and seed oils, accounting for about 20 per cent of the agricultural trade deficit.

The goal is to boost the pro-

duction of seed oils to 120,000 tons per year, which would cover two-thirds of the country's needs.

Meanwhile, farmers will be encouraged to grow more quality grains which can be exported more easily and therefore reduce the subsidies needed to promote Austrian grain sales. The government is also financing an experimental program in soy-bean production.

The biggest problem facing the Ministry of Agriculture is the overproduction of milk. Under the current system, the government pays the farmers roughly 30 cents per kilogram of milk delivered, up to a certain volume. For additional milk delivered, the government and the farmers share the costs of promoting milk exports.

Because milk deliveries totaled 2.27 million tons, which was about 25 per cent more than domestic demand, the government and farmers paid \$70-plus million last year to finance exports.

Under a new system recently proposed by the ministry, farmers would receive about 24 cents for milk deliveries up to 110 per cent of the domestic demand of 1976. The system would curb milk production because farmers would actually receive full prices for between 80 and 90 per cent of their total deliveries last year.

According to Rudolf Strasser, of the farmers' association, his organization is opposed to the government's proposals because they "would mean a decline in the farmers' incomes. Our position is that the farmers receive full prices for deliveries up to 118 per cent."

ists are visiting Austria from the Benelux countries and the United States.

WIFO estimated that Austria's net income from international tourism declined by 3.5 per cent.

The final statistics for 1977 may be a tiny fraction more positive than in the WIFO report because "we expect the statistics to show December was the best December we've had," said Frank W. Kneibler, business director of the Austrian National Tourist Office in Vienna. "In the main ski areas, it was a dream."

Trouble in Summer

"Basically, summer tourist traffic has not developed like the winter," he said. "The winter is not our problem, but the summer. We must fight for every percent in the market for summer tourists."

Hans Mikulicz, head of the tourist organization's research department, noted: "It's interesting that in the summer, the main decline is for lower-priced pensions but it is not so bad for the A and B category hotels."

Mr. Mikulicz explained that one cause of this was the fact that 15 million people are unemployed in Europe. "They are mostly from the lower classes, the people who go to the lower-priced pensions," he said. "When they lose their jobs, they drop out as travelers."

Lower-priced pensions also usually don't offer any indoor recreation facilities, so their guests are inclined to leave in bad weather, such as hit Austria last summer. "A few days of rain and they are in their cars and gone," said Mr. Kneibler. "Austria is a small country. In 100 kilometers, they are across it and in Italy, looking for sun."

Neither Mr. Kneibler nor Mr. Mikulicz place much faith in forecasts. "In the travel field especially, I don't have a good opinion of prognoses, although the trade minister must make one. Theoretical prognoses are of little practical value," Mr. Mikulicz said.

But he does recall one made by Stephan Schatzmeister of WIFO in 1976: tourism in Austria will develop more favorably than the other branches of industry.



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Textiles Hit by Rugged Competition From Low-Cost Countries

VIENNA (IHT).—Rugged competition from Far Eastern, less developed and East European countries is not making it any easier these days for the Austrian textile industry. Textile experts say that the high costs for textile raw materials, the absence of long-term orders and the continuing flood of imports from low-pricing nations in the Far

East are still the main problems confronting the industry. Most of these competitive countries—with their own raw materials and much cheaper labor—certainly can offer fabrics and ready-made clothes at much lower prices than Austria, where the wage scale has attained the high level of other West European nations.

Officials here are quick to

point out that the instrument of competition from most of the foreign countries is not quality but rather the low prices they can charge for their products. They believe that the quality and workmanship of Austrian textile products are superior to most of the imported items.

There are 645 firms with about 32,000 employees in the industry here. The three main textile centers are located in the province of Vorarlberg, Austria's most western region and which has borders with West Germany and

Switzerland; the Inn valley in the Tyrol; and Vienna. Vorarlberg is the center for cotton, woven goods and lace while the Inn valley specializes in wool production, and particularly in the internationally popular "Loden" or coarse wool products. Vienna is known as the center for fine worsteds and the more fashion-oriented clothing industry.

At one time, Austria used to export much more textiles than it imported. But since 1975 the situation has reversed. Austria's main export market is West Ger-

many, which is by far the nation's biggest trade partner. Other sizeable export markets are in Switzerland, Great Britain, North African countries and France. But now large countries such as the United States and many others, which used to ignore the Austrian market, are competing for it.

Two major factors that have been harming the progress of the textile industry here are the further increases in competitive pressures from the low-cost countries on the domestic and

export markets and the continuing change in parity rates. The latter factor, coupled with further increases in wages and social costs paid by the employer, has adversely affected the textile industry's competitive position both at home and abroad.

In keeping in line with the Socialist government's hard policy to maintain the low unemployment rate to two per cent or less, some of the larger textile factories have been accepting orders that virtually eliminate the profit margin. Austria's

trade deficits in textiles in the past two or three years have almost doubled.

Another problem is imports from third countries circumventing trade agreements. In order to prevent imports via third nations of products originating from the Far East, the Austrian Trade Ministry has instituted a monitoring procedure, which went into effect last autumn, for several important textile products. The new regulation requires importers of textiles and wearing apparel to submit import

declarations for such products as men's and women's outer wear, stockings, woven fabrics of wool and continuous man-made fibers, terry fabrics and bed and table linen.

After being vised or endorsed by the Trade Ministry, the import declarations have to be returned to the importers, who present them to the customs officials when the goods are cleared for entry.

These circumvented imports have been stepped up in recent years. They are the side effects of Austria's self-restraint agreements with low-cost states like Hong Kong and Taiwan. Apparently, after Austria had negotiated quotas within the framework of these self-restraint agreements for the import of certain textile products, and after these quotas were filled, some companies in the cooperating countries started to deliver textile items to such other nations as West Germany, Italy and the Netherlands, that subsequently turned around and re-exported them to Austria with forged certificates of origin.

—E. R.

—E. R.

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AUA: A Pioneer in Air History

VIENNA (IHT).—Austrian Airlines is in the air today because two other airlines were not able to get off the ground. Literally.

The treaty of 1955 that ended the postwar Allied occupation granted Austria sovereignty over its air space and the right to start its own airline. In their eagerness to take advantage of

this two companies—Air Austria and Austrian Airways—were started.

Not a plane took off. About two years later, in April 1957, the two unsuccessful firms merged as Austrian Airlines (AUA), a 99-per-cent state-owned company (its one per cent has 30 shareholders, including the city of Vienna).

Austrian pilots opened the world's first scheduled route in

international air traffic, between Vienna and Kiev, in 1918. At first, it was only for mail. In May, 1923, the predecessor of Austrian Airlines, OLAG, started its first route, Vienna-Munich, and quickly became the fourth biggest airline in Europe.

Reaching for bigger caused Austrian Airlines trouble at the end of the sixties. In 1968, it was in the red. People lost their jobs, routes were canceled—including the one to New York with Sabena and almost all domestic flights—and the airline switched to a new plane, the DC-8.

Thanks to Austria's neutral status, its airline was able to pioneer routes to Eastern Europe in 1968, despite the Cold War. AUA has also built routes in the Middle East and Scandinavia as well as throughout Western Europe.

In 1972, it flew 706,611 passengers, more than a million in 1976 and 1,137,000 last year.

—T. C. L.

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Construction Is Healthy

VIENNA (IHT).—Austria's construction industry was one area of the economy which showed healthy growth last year, continuing an upward trend begun in 1976 following the steep decline during the 1973-75 period.

A report by the Austrian Institute for Economic Research (WIFO) showed that after a real growth of two per cent registered by the construction industry in 1976, real production in 1977 is expected to show a five-per-cent increase. More than anything else, a special 50-per-cent depreciation allowance for business construction projects begun after Dec. 31, 1976, and completed before the end of last year is seen as having provided the main stimulus to the construction industry's growth during the past two years.

Within the construction industry, building construction is in a somewhat stronger position than civil engineering construction, according to the WIFO report.

The outlook for the construction industry in 1978 is mixed. The Ministry for Construction estimates that turnover in the industry will be around \$3.3 billion, which would be an increase of eight per cent over the 1977 level.

But builders, organized under the Federation of Industrial Construction Companies of Austria (VIBÖ), with a membership of 45 firms, point out that only about a third of the turnover would be in actual construction.

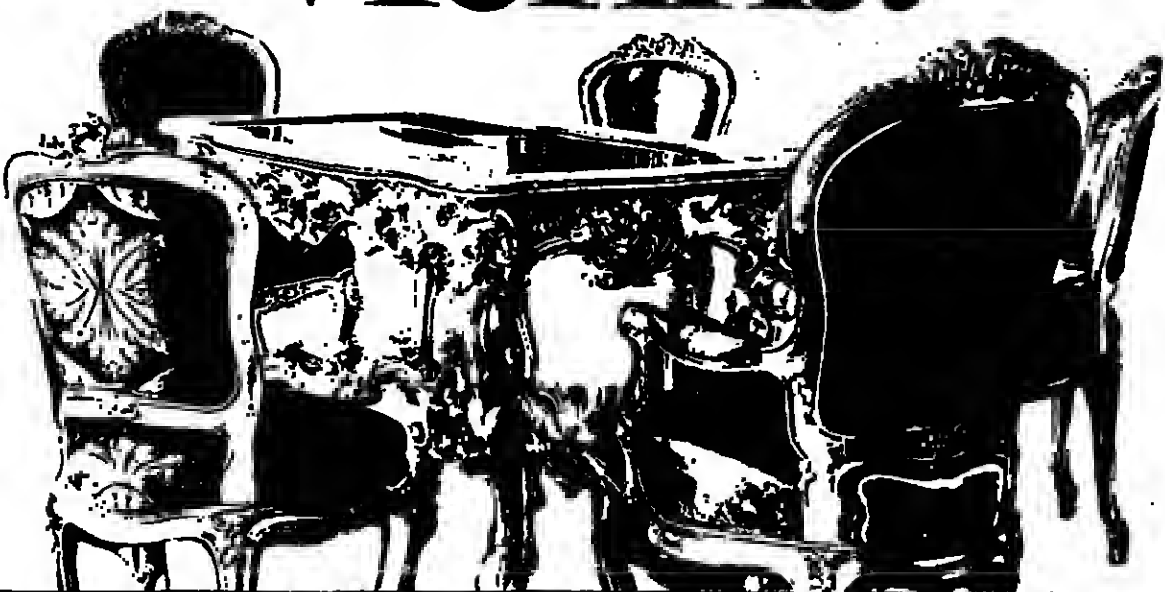
The construction industry will also get some help from the government's recently announced "immediate construction program," providing federal construction contracts amounting to some \$1.5 billion.

—D. S.

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Social Welfare Benefits Include Labor-Management Cooperation

VIENNA (IHT)—Austria's social welfare system is probably one of the most comprehensive among Western countries, touching all aspects of the citizens' lives at home and at work.

The Austrians are proud of the system, which is the creation of more than a century of struggle between workers and the upper classes. Today, social welfare is universally accepted as an integral part of postwar Austria, carried out by the Ministry for Social Administration but determined in the main by the social partners—labor and industry.

The federal budget of Austria shows what role social welfare has in Austria's social-economic structure. Social welfare and health expenditures in 1978 will be about \$4.5 billion, or more than 26 per cent of the total budget.

Describing the social welfare

system as a "from the cradle to the grave" program may not be inaccurate, but such stereotypical terminology does injustice to the fact that the Austrians, a socially and technically cohesive people, pay for the program themselves.

The Family

The social welfare benefits which every Austrian is eligible to receive start with the family. For example, young couples getting married receive about \$1,000 from the government. To encourage proper medical care before and after the first child is born, the government pays an additional \$1,000 up through the first year.

At the same time, a couple receives child support amounting to nearly \$80 a month for one child (compared to about \$25 a month in neighboring West Germany), more than \$120 monthly

for two children, \$180 for three children and about \$65 a month for each additional child up through the age of 19, or through the age of 27 if a child continues with vocational or university education.

Educational benefits for children include free books, health check-ups and immunization and vaccinations. Later on, university students receive stipends in addition to virtually free tuition at Austrian universities.

The current enrollment in Austria's 13 universities and fine arts academies is around 100,000, which is some 80 per cent more than were enrolled in 1969.

In the field of health, most Austrians receive free medical treatment under a national health care program, including dental care, hospitalization, sick pay for up to 26 weeks at half-salary and other benefits.

The range of other social benefits includes helping to finance

workers' further education, unemployment compensation, accident insurance, and old-age pensions.

Although the most costly, old-age pensions are also the most accepted by the Austrians. A recent survey showed that 53 per cent of the people were against measures to cut old-age benefits. In 1976, more than \$8 billion in pensions were paid to about 1.5 million persons.

Pensions are mainly financed

by workers and employers, who beginning Jan. 1 had to increase their contributions from 17.5 per cent to 19.5 per cent of wages (about 9 per cent from the workers' salaries and 10.5 per cent paid by employers).

By comparison, payments for old-age pensions in West Germany amount to 18 per cent of wages, in Switzerland 10 per cent and the United States about 5 per cent.

In all, the average Austrian

wage earner pays roughly 25 per cent of his monthly income to help finance the social welfare system, while employers pay about an additional 80 per cent of wages paid to the workers for social benefits.

The social welfare system is not just a matter of taxes paid and benefits received. It also involves such matters as working conditions, wages and prices and employment policies, which are worked out between employers, the trade unions and the federal government under the auspices of a parity commission.

In the past, the social partners—employers and workers—have tended toward stability and the willingness to compromise.

The best example of this occurred recently when the management of the troubled Vereinigte Edelschmelze (VEW) wanted to cut its payroll by some 2,000 jobs. Talks with the workers resulted in no layoffs, but a reduction of overtime pay, ten days of unpaid vacation and other measures which may mean an effective 4-per-cent decrease in the workers' earnings.

Such emphasis on stability in wages and employment has given Austria one of the best records for the fewest strikes. In 1977, it is estimated that time lost in strikes amounted to six seconds per worker.

The character of the social partnership has largely been determined for more than a decade by the two main protagonists—Anton Benya, 65, who has been president of the Austrian Trade Unions Federation (OeGB) since 1963, and Rudolf Sallinger, 61, president of the Federal Economic Chamber representing private industry since 1964.

Both men share a respect for each other as well as a common view of the lessons learned from the economic and political turmoil of the First Austrian Republic between the two world wars.

But mutual respect does not prevent Mr. Benya or Mr. Sallinger from defending their organizations' interests. In an interview, Mr. Sallinger said he hopes the trade unions would pursue a more "reasonable" wage demands policy and said the economy needs a "breather" which it hasn't had for a long time from the social benefits demands of the workers.

Mr. Benya, for his part, countered in an interview with a West German newspaper that private enterprises have been saying they are being ruined by taxes beginning in the days of the First Republic, "but it was the Republic that went to ruin."

—D.S.

An Interview With Chancellor Bruno Kreisky

(Continued from Page 1.)

nomic Cooperation and Development forecasts for 1978 a real growth of 1.5 per cent. How do you feel about that?

A—I don't have any use for forecasts. Forecasts are based on known conditions but forecasts are no longer valid when one creates new conditions. Forecasts are based on the fact that conditions don't change.

Q—Do you think the economic conditions in Austria will change?

A—I have always pursued a very active economic policy. People have accused us of shooting sparrows with cannon. I can tell you that if we hadn't brought up the cannon, I think we would have 150,000 to 200,000 unemployed.

(Austria has about 30,000 unemployed, or less than 2 per cent.)

Q—And the inflation rate?

A—Very low. We will be under five per cent. We will maintain our high rate of employment and keep down inflation. We had full employment in 1977, a high percentage of investment and low inflation, about 3.4 per cent. We had a bad balance of trade because the Austrians bought too much from abroad, especially autos.

Some of the consumer spending for this year has already been eliminated by the need to pay off these payments. Consumer credit will be hard to get in the future because there will be no money for consumer credit, or only at very high interest rates. The money won't be there (for consumer goods) because the credit institutions have been directed not to give credit.

Q—Austria is especially eager to build its own car. Why?

A—Because that is the quickest way to give secure jobs for skilled workers. If I had an assembly plant here tomorrow, I could very quickly hire 3,000 to 4,000 people. And when I start deliveries, I could soon hire another 3,000. And that has many effects. I would have to do a lot to hire 6,000 people with government

means. That would be very difficult.

And then there would be the contribution to the balance of trade.

Q—Would you export the cars?

A—Because we cannot produce a popular model car, 80 per cent of the cars would be for export. That's why we are looking for a brand that is already well known. Porsche, for example. Or Chrysler.

Q—A luxury car?

A—No. Middle class. About 2 liters.

The ideal connection is with an established auto company. We have a lot to offer.

First, our wages are not very

low, but for them one gets a peaceful work force. In Italy, for example, per 1,000 workers, 10,000 days are lost (in strikes). In France and Britain, you have this situation, too. In Austria, the comparable figure is two hours.

Second, the government sees to it that cheap and long-term money is available to firms (coming into Austria), without trying to gain influence for itself. The state doesn't want any influence.

Third, we have a highly qualified work force. The workers for a new car assembly plant would not need training. They are highly technical and intel-

ligent. Austria is in a leading position, for example, in building industrial plants all over the world.

Fourth, we have a declining rate of inflation.

Q—Some people, especially Austrian exporters, have called for a devaluation of the schilling. Do you intend to devalue?

A—No! The hard schilling has its advantages, too. It has its impact on imports, makes them cheaper. For the shoe industry (which has asked for devaluation), it can get leather cheaper. If we devalued, products would become more expensive and then they'd say we have to raise prices in Austria.

Leader Among Neutrals

(Continued from Page 1.)

into account if the political system is to be properly assessed. For instance, the influence of various organizations within the parties, the provincial governments and the churches, as well as the threat of potential plebiscites, act as a permanent corrective to any abuse of power by a single person.

Chancellor Kreisky has mastered the art of balancing his cabinet so skillfully with party liners, non-party specialists and federalists of both sexes, young and old—that it is difficult to fault him. (Although he did, at one early stage, inadvertently admit an ex-Nazi to a ministerial appointment—quickly annulled—and had some awkward parliamentary questions to answer that year when a defense minister was spotted infringing the Neutrality Act and was subsequently fired.)

For all these shortcomings, Austria has nevertheless chalked up an enviable record of social peace and political stability. Not for nothing has Kreisky been described by a conservative biographer as a "Social Democrat without dogma."

OPEC

It is precisely this political stability—some would say lethargy—that has made Austria so suitable as a base for international organizations. The Organization of Petroleum Exporting Countries (OPEC), may have raised feelings about the location of its headquarters in Vienna following the terrorist attack of December, 1975 (which could equally well have happened elsewhere). But the International Institute for Applied Systems Analysis (IIASA), situated at Laxenburg, just outside the capital, has been ecstatic in its praise of Austria for aiding it to fulfill its role as an intellectual bridge between East and West.

Also here are such United Nations bodies as the International Atomic Energy Agency (responsible for Non-Proliferation Treaty safeguards) and the Industrial Development Organization. Both will be moving into new permanent quarters in 1979, in the vast International Office and Conference Center on the left bank

of the Danube. Vienna will then pride itself, rightly or wrongly, on being the third UN city, after New York and Geneva.

Human Rights

Certainly Austria's commitment to human rights will be documented when a big Unesco conference is held in Vienna to mark the 30th anniversary of the UN Charter of Human Rights. True, Austria has come in for some criticism over its handling of rights for ethnic minorities, but that fades when one remembers the assistance in finding asylum it has given, from 1958 onwards, to hundreds of thousands of refugees from Eastern Europe, as well as to almost daily contingents of Soviet Jews emigrating, via Vienna, to the West. (Although Mr. Kreisky gave in to an Arab terrorist demand in 1972 by closing a transit camp run by the Jewish Agency, an alternative site was soon set up under Austrian control.)

For all its supposedly inward-looking policy—and the average Austrian citizen hardly thinks of himself as being a world citizen—Austria still manages to play a leading role among neutral and non-aligned countries, for instance within the framework of the Conference on Security and Cooperation in Europe. Great hope has been pinned on the acceptance and implementation of the principles laid down in the 1975 Helsinki Final Act, perhaps because, as Foreign Minister Wilfried Pahr put it, "Tolerance is the leitmotif of Austrian policy."

The fashionable word being used in government handouts to describe the present state of Austrian society is "pluralistic," meaning, apparently, that everybody can have a say in running a decidedly mixed society. It may not be the whole truth, but an element of pluralism can certainly account for the fact that Austria is, on the whole, doing so well in keeping abreast of international developments and in making its voice heard and respected in world councils. Only a generation ago there were genuine doubts whether Austria would survive as a separate entity, let alone prosper.

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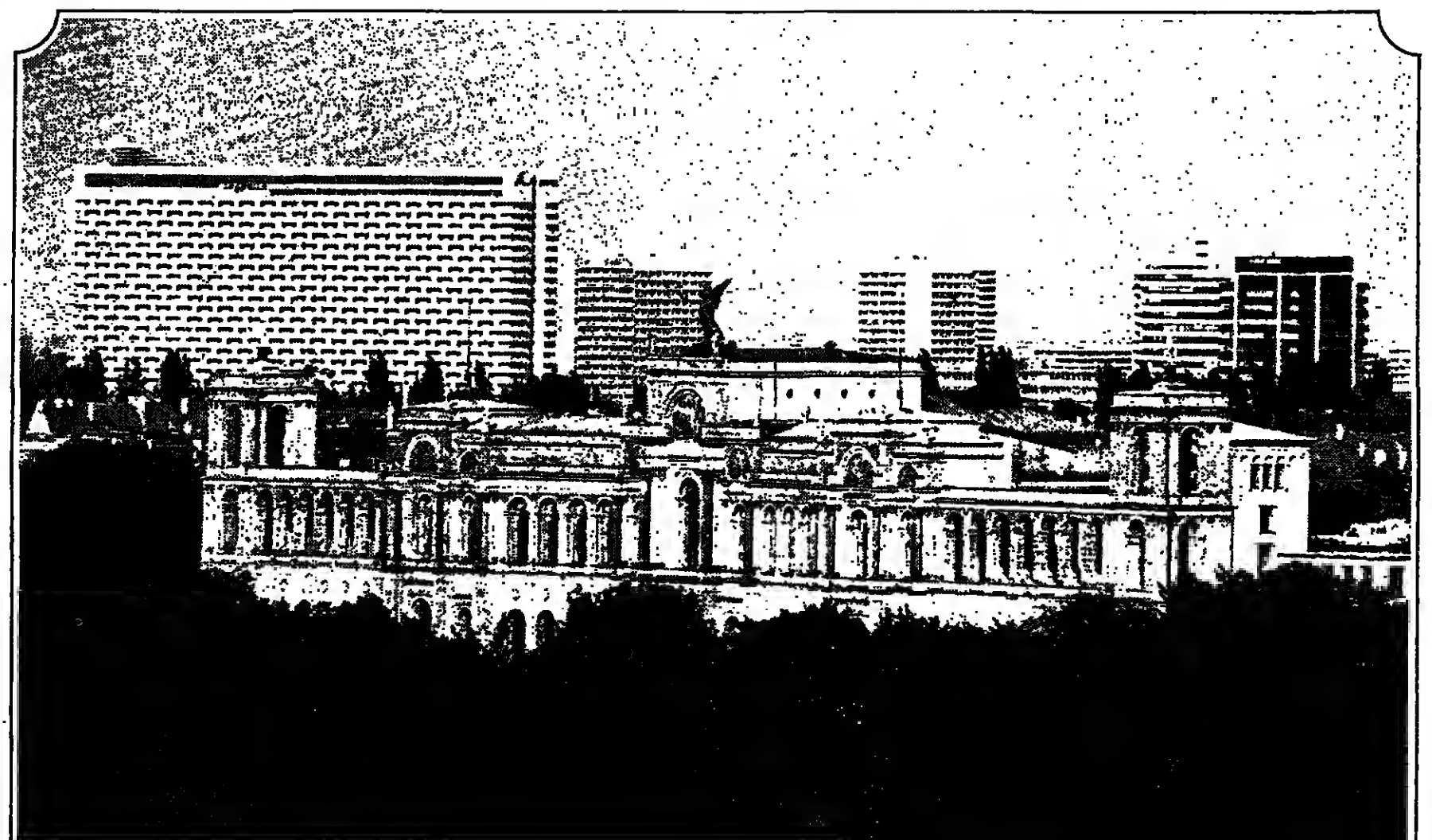
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Music Turns Whole Country Into One Large Performing Arts Center

By David Stevens

VIENNA (IHT).—More than by any other means, it is through music that Austria presents itself to the world and attracts the world to its doors.

If Vienna still considers itself "Europe's music capital" and Austria presents itself as the "land of music," this is historical fact that weighs heavily in Austrian life today. Vienna and the provincial capitals maintain a busy, typically central European musical life that in the summer accelerates to the point that the whole country seems to be one large center of performing arts. This is carried to the rest of the world through tours, films, broadcasts and recordings. For Austria, music is big business.

The historical debt is immense. The repertoires of the world's symphony orchestras and opera houses would be all but unrecognizable today if it were not for the classical, romantic and post-romantic music that came from Vienna.

In little more than half a century, Haydn, Mozart, Beethoven, Schubert and their lesser colleagues produced the entire body of classical music, most of it from Vienna or within its cultural orbit. The late 19th century brought Brahms, Bruckner, Mahler and Hugo Wolf, leading virtually without a break to the New Vienna School of Arnold Schoenberg, Alban Berg and Anton Webern, and its extensive influence on post-World War II composers.

Strauss Dynasty

Vienna also means the elder and younger Johann Strauss and their dynasty, who transformed the lowly country dance into the Viennese waltz and created the Viennese operetta. The Wiener Sängerknaben—the Vienna Boys' Choir—are not only musical ambassadors to the world, but as part of the Hofkapelle, which supplies music for the Sunday masses in the former imperial chapel, they represent a five-century-old musical tradition.

A night out in Grinzing might include Schrammel music, played by a uniquely Viennese quartet of two violins, guitar and accordion, or music by one of the ubiquitous zither-players made



Herbert von Karajan in Salzburg.

famous in the film "The Third Man."

Salzburg (actually not incorporated in Austria until Napoleonic times) was the site of the first opera performed north of the Alps (1617) and, of course, the birthplace of Mozart. It also gave the world the Christmas hymn "Silent Night, Holy Night," co-authored by a parish priest and church organist in the Salzburg countryside, and the Trapp Family Singers, celebrated in "The Sound of Music."

If Vienna's, and Austria's, musical life today is too conservative to put it in the forefront of European musical life, at least it has much to conserve. The emphasis is on performance and performance, and the state takes a large financial hand in supporting such institutions as the Vien-

na State Opera, the Vienna Philharmonic and the Salzburg Festival. About \$14.6 million is earmarked for music in the 1978 national budget, but "his gives only a hint of the state's role in promoting music. It does not, for instance, include the four national theaters in Vienna—the State Opera, the Volksoper, and the Burgtheater's two houses—with an annual budget of about \$66.7 million, about 80 per cent financed by the state. This cost the taxpayer \$22.7 million (in 1976) for the State Opera alone, although top prices are now up to \$80 a seat for certain performances.

Affection

But there is more than tax money behind the affection of the Viennese for their opera. Its problems, intrigues and scandals

are almost daily material for the city's newspapers, and they are followed by Viennese who rarely if ever set foot in the place.

The State Opera's pride of place is reflected in the monumental building on the Ringstrasse that it has occupied since 1869, except for the decade following several direct hits it took during an Allied air raid on March 12, 1945. During that period, the company played in the Theater an der Wien, while top priority was given to rebuilding the house on the Ring—the stage with the most modern equipment, the 1,500-seat auditorium in its imperial white-and-gold splendor. It was reopened on Nov. 5, 1955, with a performance of Beethoven's "Fidelio" that was carried to crowds in the street by loudspeakers and around the world by radio.

The State Opera has had its glorious eras and its chaotic ones. Among the former were Gustav Mahler's period as director at the turn of the century, the 1920s under Richard Strauss, the immediate postwar period under Josef Krips when tours to other European capitals again exported Vienna's Mozart style, and most recently the directorial era of Herbert von Karajan (1957-64), who shook the dust of Vienna from his feet for 13 years, but has remained Austria's dominant musical personality from his platform in Salzburg.

Vienna's second opera house, the Volksoper, outside the city center, offers opera at more accessible prices, explores areas of the repertoire not found at the State Opera, particularly operetta, and was one of the first European opera houses to import the American musical. The Kammeroper offers small-scale rarities with young singers in a small downtown theater and in the summer in Schoenbrunn Palace.

The 150 members of the State Opera orchestra are civil servants, but in private life they are also independent members of the "Philharmoniker Republik"—the Vienna Philharmonic—which began its independent concert activity in 1942 and gives 10 pairs of subscription concerts in Vienna each season, in addition to festivals and tours. The bulk of Vienna's concert life is sustained by the city's "second orchestra," the Vienna Symphony, jointly sup-

ported by the state and the city. In the provinces, principal operatic, orchestral and music conservatory activities are maintained in Linz, Graz, Salzburg and Innsbruck, but it is during the summer festival season that the provinces take over from the capital.

The Salzburg Festival, founded in 1920 by a group that included

Max Reinhardt, Hugo von Hofmannsthal and Richard Strauss is arguably the granddaddy of the modern European music festival. It is Austria's prestige summer attraction, with costly productions and top performers, the lion's share of state support (\$1.7 million in 1976), and stunning prices (up to \$120 a seat this year for operas—although \$3.20 will still

get a seat for the more modest concerts. Karajan is not only one of the directors of the summer festival, but also is the founder and chief performer—with his Berlin Philharmonic Orchestra of Salzburg's Easter and Whitsuntide festivals. An all-Mozart week in January completes Salzburg's festival offerings.

Elsewhere, the Vienna Festival

Weeks (May-June) are a high point in the capital's season, summoning a special effort from the city's theaters and concert organizations. Bregenz (late July-August) has interesting programs and modest prices on the banks of the Woerthersee, and Styrian Autumn (October, in Graz) is devoted to all aspects of contemporary art.

The Theater Shows Signs of New Life

By Alan Levy

VIENNA (IHT).—The Josefstadt theatrical quarter has come alive and aglow this winter with a flicker faintly recalling the ferment of Max Reinhardt's heyday.

Reinhardt's old—and, in recent years, grayly eminent—Theater in der Josefstadt witnessed the return of a prodigal daughter when Krista Stadler, 33, came home in a stunning revival of Odon von Horvath's "Faith, Love, Hope."

After some success in Vienna's smaller German-language theaters, Miss Stadler left Austria for Switzerland and Germany more than a decade ago because "it's not good for young artists to stay here. That's why so many of the good actors in Germany are Austrian. I know how to act, but I didn't learn how to work until I went abroad. Here it was too 'schlampy' (sloppy), with good actors and directors giving less than their best."

Miss Stadler attributes some of this "schlamperei," oddly enough, to generous government subsidies to the arts—enabling Vienna to offer more live cultural entertainment any night of the week than New York or London. Aside from the East European nations, which attach ideological strings, no other country in the world does more per capita for its arts than Austria. Some theatrical subsidies run as high as 80 per cent of annual budget, which, in Krista's opinion, encourages genuine talent to "coast on their contracts."

She felt herself "getting this way" in 1969, when she was "playing boulevard comedy in my sleep in Munich for 4,000 deutsche marks (then worth about \$1,000) a month," so she dropped out

into the counter-cultural scene for three difficult years before working her way back into the limelight with small progressive theaters in Vienna and West Berlin.

Vienna's English Theatre's esteem was built painstakingly upon 15 years of hard work and ruthless professionalism. Founded in 1963 by American actress Ruth Brinkmann and her Austrian director husband, Franz Schafstank, it sold itself—first to a small but devoted public, then to the Austrian schools—as a forum for British and American plays properly performed by professionals whose mother tongue is English. Out of this came a series of successes leading to a municipal subsidy in 1966, a federal subsidy not long after (though total subsidy has never exceeded 20 per cent), and, in 1974, a permanent home on Josefstadt: a 250-seat turn-of-the-century neo-baroque jewel box that was adapted to modern technology at a cost of more than \$250,000.

Since then, Vienna's English Theatre has had a Tennessee Williams world premiere (Keith Baxter and Ruth Brinkmann in "The Red Devil Battery Sign"), for which the playwright spent much of ten weeks working closely with director Schafstank, and a couple of Continental premieres without ever relaxing the standards that have made it the only theater of its kind on the Continent of Europe.

Just outside the Josefstadt, Vienna's two national theaters—the Burgtheater, once an inviolable fortress and more recently a musty museum of German classical drama, and the smaller Akademietheater—are showing signs of revitalization under their new chief, actor Achim Benning. A few foreign breezes have help-

ed clear the air: "Troilus and Cressida," Shakespeare in German staged by Terry Hands of Britain's Royal Shakespeare Company; two outwards comic one-act protests by the persecuted Prague playwright Vaclav Havel; and Max Frisch's ironic "Biedermann and the Firebugs" on a provocative double bill with Gotthold Ephraim Lessing's two-centuries-old "The Jews."

For the creative ferment that engenders original plays Made in Austria, one must gaze 125 miles south of Vienna to the provincial capital of Graz—where Peter Handke, now living in Paris, came into his own; where Wolfgang Bauer, whose success has spread abroad, still lives; and where Gerhard Roth, whose satirical "Longing," scored last autumn, is rumored to be dickering with Paul Newman over a future vehicle.

"If you're good, you leave Austria" is a saying heard more often outside than inside the country. In any event, it is simplistic. It is truer to say that, artistically, Vienna is a living museum—where most of the world's best and some of its worst is exhibited, though all too often with the "Schlamperei" that Miss Stadler deplores. And more to the point, the Austrian public is an extremely sentimental and conservative one, so younger playwrights like the belligerently avant-garde Stadler and the hyper-realistic Bauer are prophets with honor, but no great following, in their native land.

Nowhere are the trends of present-day Austrian creativity more visible than in the fine arts. Many of Austria's best and brightest painters live elsewhere. The spiraling conservatism and exhibitionist, Friedenschlag Ham-

derwasser, commutes between Venice and New Zealand; Lisbeth Hochs, whose urban naïfs delight the child in all of us, lives in Venice but exhibits in Vienna's Galerie Wuerfel; and the greatest of them all, Oskar Kokoschka, who just turned 92, lives in Villeneuve, Switzerland. "Mr. O.K." has recently gone back to portraits and etchings after a bout with glandular diseases and retains his affiliation with the Galerie Weitz in Salzburg.

Peter Klitsch, 43, who paints lovely 16th-century baroque orientalia, lives in the woods of Lower Austria with his Japanese wife when he isn't away in quest of jet-age inspiration.

In Vienna, the School of Fantastic Realism is now so institutionalized that—with the amusing and colorful exception of Arak Brainer, 48—its best-known practitioners are all wealthy men with professorships and status symbols and very little prospect of or desire for further artistic growth. Rudolf Hauser goes on drawing variations of his "Adam" as though he were the last as well as first man on earth. Anton Lehmden's still-life landscapes grow stiffer and Wolfgang Hutter's work more ornate and sweet with each passing year—though one of Hutter's pupils, Klaus Karma, who paints almost exclusively with black oil and gold leaf, is displaying symptoms of genius at exhibits around town.

Of all the Fantastic Realists, the one who monopolizes the Viennese limelight the most is the serio-religious Ernst Fuchs, 45, the best graphic artist of the group, who has ventured into stage design in Vienna, Hamburg and Munich with great success and goes about town here in his Rolle-Royce and ubiquitous fox.

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